



**BANCA POPOLARE DELL'ALTO ADIGE S.P.A.**

*(incorporated with limited liability as a società per azioni under the laws of the Republic of Italy)*

**Euro 3,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme  
unconditionally and irrevocably guaranteed as to payments of interest and principal by**

**VOBA CB S.R.L.**

*(incorporated as a limited liability company in the Republic of Italy and registered at the Companies' Registry of Treviso-Belluno under registration number 04994460261)*

*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 3,000,000,000 covered bond programme (the "**Programme**"), Banca Popolare dell'Alto Adige S.p.A. ("**BPAA**" 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 3,000,000,000 (or its equivalent in other currencies calculated as described herein). VOBA CB 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 mortgage loans 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 Regulation (UE) 2017/1129 (the "**Prospectus Regulation**"), as a base prospectus issued in compliance with the Prospectus Regulation 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 has only approved this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. In this context: (i) the approval of this Base Prospectus by the CSSF should not be considered as an endorsement of the Issuer and/or the Guarantor and/or the quality of the securities that are the subject of this Base Prospectus, (ii) the CSSF gives no undertaking as to the economic and financial soundness of the transaction or the quality or solvency of the Issuer and/or the Guarantor in line with the provisions of Article 6 (4) of the Luxembourg Law on Prospectuses for securities, and (iii) investors should make their own assessment as to the suitability of investing in the securities subject of this Base Prospectus. The requirement to publish a prospectus under the Prospectus Regulation only applies to Covered Bonds which are to be admitted to trading on a regulated market in the European Economic Area (the "**EEA**") and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1.4 of the Prospectus Regulation.*

Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market or on the segment limited to professional investors of the regulated market of the Luxembourg Stock Exchange (the “**Professional Segment**”), which is a regulated market for the purposes of Directive 2014/65/EU. 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 Law**”) and implementing regulations and with the joint regulation of the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

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 Base 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 <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>). 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)). No Covered Bonds having a maturity at issue of less than 12 months will be offered to the public or admitted to trading on a regulated market under this Base Prospectus.*

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

*Amounts payable on Floating Rate Covered Bonds may be calculated by reference to one of LIBOR and EURIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is included in ESMA’s register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the “**Benchmarks Regulation**”). As at the date of this Base Prospectus, the ICE Benchmark Administration (as administrator of LIBOR) is included in ESMA’s register of administrators under Article 36 of the Benchmarks Regulation.*

*Arrangers for the Programme*

**Unicredit Bank AG**

**Société Générale  
Corporate and Investment  
Banking**

**FISG S.r.l.**

*Dealer for the Programme*

**Unicredit Bank AG**

**Société Générale  
Corporate and Investment  
Banking**

**Erste Group Bank AG**

The date of this Base Prospectus is 8 October 2019.

## 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 8.1 of the Prospectus Regulation and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of 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.**

The Issuer has confirmed to the Dealers (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, whichever occurs later, in respect of Covered Bonds issued on the basis of this Base Prospectus. In any case, the obligation to supplement this Base Prospectus in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus does not apply when this Base Prospectus is no longer valid.

Neither the Arrangers nor the Dealers nor any person mentioned in this Base Prospectus, with exception of the Issuer and the Guarantor, 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 dell'Alto Adige 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 United 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 Dealers which are 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.

**PRIIPs / IMPORTANT – EEA RETAIL INVESTORS** - Unless the Final Terms in respect of any Cover Bonds specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”) or; (ii) a customer within the meaning of Directive 2016/97/EU, as amended (the

“**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the “**PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / target market** – The Final Terms in respect of any Covered Bonds will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

#### **ALTERNATIVE PERFORMARNCE MEASURES**

This Base Prospectus contains certain financial measures (including the Issuer's profitability ratios and risk ratios, as well as certain other financial highlights and alternative performance indicators contained in information incorporated by reference in this Prospectus) that the Issuer considers as constituting alternative performance measures (“**APMs**”).

<b>APM</b>	<b>Definition/reconciliation</b>
Cost to income ratio	Ratio between (i) operating expenses and (ii) net operating income (excluding profit (losses) on investments in associates and companies subject to joint control and including profit (losses) on disposal or repurchase of receivables and investments held to maturity - taken from schedules to financial statements)
ROA (net profit / total assets)	Ratio between (i) net income and (ii) average total assets
Net non-performing loans / net loans to customers	Ratio between (i) net non-performing loans and (ii) net loans to customers (taken from schedules to financial statements)
Degree of non-performing loan hedging	Ratio between (i) specific adjustments on non-performing loans and (ii) gross amount of non-performing loans to customers

The Issuer believes that the above APMs provide useful information to investors regarding the financial position and performance, allowing for comparison with similar measures published by other banks as well as average industry standards and better illustrating specific aspects and trends of the Issuer's business activity.



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## GENERAL DESCRIPTION OF THE PROGRAMME

The following section contains a general description of the Programme and, as such, does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any Series or Tranche, the applicable Final Terms. Prospective purchasers of Covered Bonds should carefully read the information set out elsewhere in this Base Prospectus prior to making an investment decision in respect of the Covered Bonds. In this section, references to a numbered condition are to such condition in "Terms and Conditions of the Covered Bonds" below.

### PARTIES

#### Issuer

Banca Popolare dell'Alto Adige S.p.A., a bank incorporated in Italy as a joint stock company (*società per azioni*) whose registered office is in Bolzano, at Via del Macello, No. 55, Italy, registered with the Companies' Register of Bolzano under number 00129730214, fiscal code and VAT number 00129730214, Economic Administrative Index number BZ-9018 and registered with the Bank of Italy pursuant to article 13 of Legislative Decree No. 385 of 1 September, 1993 (the "Banking Law") under number 3630.1 and which is the parent company of the "Gruppo Bancario Banca Popolare dell'Alto Adige" (the "Issuer" or "BPAA").

#### Joint Arrangers

Unicredit Bank AG, a bank incorporated under the laws of Germany, whose registered office is in Arabellastrasse 12, 81925 Munich, Germany ("Unicredit"); Société Générale, a bank incorporated under the law of France, whose registered office is in 29, Boulevard Haussmann, 75009 Paris, France ("Société Générale" or "SG"); and FISG S.r.l., a company incorporated under the laws of the Republic of Italy as *società a responsabilità limitata*, having its registered office at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, share capital of Euro 50,000.00 fully paid up, fiscal code and enrolment with the companies' register of Treviso-Belluno number 04796740266, subject to the activity of direction and coordination (*soggetta all'attività di direzione e coordinamento*) pursuant to article 2497 of the Italian civil code of Banca Finanziaria Internazionale S.p.A. ("FISG" and, jointly with Unicredit and Société Générale, the "Joint Arrangers").

#### Dealers

Unicredit, Société Générale, Erste Group Bank AG, a joint-stock corporation registered in the Austrian companies register at the Vienna commercial court with registration number FN 33209, with registered office at Am Belvedere 1, A-1100 Vienna, Austria ("Erste Group") and any other dealer appointed from time to time in accordance with the Programme Agreement.

#### Guarantor

VOBA CB S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy pursuant to Article 7 bis of Law No. 130 of 30 April, 1999, as amended from time to time (the "The Law 130"), with a duration until 31 December 2100, whose registered office is in Conegliano, at Via Vittorio Alfieri, No. 1, Italy,

registered with the Companies' Register of Treviso and Belluno under No. 04994460261 (the “**Guarantor**”).

**Quotaholders**

- (1) BPAA, owning a participation equal to 60% of the Guarantor’s quota capital; and
- (2) STICHTING URANO, a company incorporated under the laws of the Netherlands whose registered office is in Amsterdam, at Barbara Strozziilaan, No. 101, owning a participation equal to 40% of the Guarantor’s quota capital.

**Seller**

Banca Popolare dell’Alto Adige S.p.A. (the “**Seller**”).

**Subordinated Loan Provider**

Banca Popolare dell’Alto Adige S.p.A. will act as subordinated loan provider pursuant to the Subordinated Loan Agreement (the “**Subordinated Loan Provider**”).

**Servicer**

Banca Popolare dell’Alto Adige S.p.A. (the “**Servicer**”) will act as servicer pursuant to the Servicing Agreement.

**Corporate Servicer**

Securitisation Services S.p.A., a joint stock company (*società per azioni*) with sole shareholder incorporated under the laws of the Republic of Italy, share capital of euro 2,000,000.00 fully paid-up, having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (TV), Italy, fiscal code and enrolment in the companies’ register of Treviso-Belluno number 03546510268, VAT Group “Gruppo IVA FININT S.p.A.” – VAT number 04977190265, registered under number 50 in the register of financial intermediaries (*Albo degli intermediari finanziari*) held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act, subject to the activity of direction and coordination (*soggetta all’attività di direzione e coordinamento*) pursuant to article 2497 of the Italian civil code of Banca Finanziaria Internazionale S.p.A. (“**Securitisation Services**”). Securitisation Services will act in its capacity as corporate servicer pursuant to the Corporate Services Agreement (the “**Corporate Servicer**”).

**Asset Monitor**

BDO Italia S.p.A., a joint stock company (*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, included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 167911, as asset monitor under the Asset Monitor Agreement (the “**Asset Monitor**”).

**Account Bank**

BNPSS, Milan Branch will act as account bank pursuant to the Cash Management and Agency Agreement (the “**Account Bank**”), for the purpose of maintaining and operating the Expense Account, Collection Account, the Reserve Account and the Securities Account

(if any).

<b>Guarantor Calculation Agent</b>	Pursuant to the Cash Management and Agency Agreement, Securitisation Services will act as guarantor calculation agent (the “ <b>Guarantor Calculation Agent</b> ”). The Guarantor Calculation Agent will perform certain calculations and conduct certain tests pursuant to the Cash Management and Agency Agreement and the Cover Pool Administration Agreement.
<b>Test Calculation Agent</b>	Pursuant to the terms of the Cash Management and Agency Agreement, BPAA (or any other entity being appointed as such in the future) will act as test calculation agent (the “ <b>Test Calculation Agent</b> ”).
<b>Cash Manager</b>	BPAA will act as cash manager under the Cash Management and Agency Agreement (the “ <b>Cash Manager</b> ”).
<b>Covered Bond Swap Counterparty</b>	Any institution which agrees to act as covered bond swap counterparty (each, a “ <b>Covered Bond Swap Counterparty</b> ”) to the Guarantor under any swap agreement or other hedging agreements, if any, aimed at hedging certain interest rate risks and/or, if applicable, currency exposures in relation to the Guarantor’s obligations under the Covered Bonds, that may be entered into between the Guarantor and the relevant Covered Bond Swap Counterparty (the “ <b>Swap Agreements</b> ”).
<b>Issuer Paying Agent</b>	BPAA will act as Issuer Paying Agent under the Programme pursuant to the provisions of the Cash Management and Agency Agreement (the “ <b>Issuer Paying Agent</b> ”).
<b>Guarantor Paying Agent</b>	BNPSS Milan Branch will act as Guarantor Paying Agent following the delivery of a Notice to Pay pursuant to the provisions of the of the Cash Management and Agency Agreement (the “ <b>Guarantor Paying Agent</b> ” and together with the Issuer Paying Agent, the “ <b>Paying Agents</b> ”).
<b>Luxembourg Listing Agent</b>	BNPSS, Luxembourg Branch, will act as Luxembourg listing agent under the Programme (the “ <b>Luxembourg Listing Agent</b> ”).
<b>Representative of the Covered Bondholders</b>	Securitisation Services will act as representative of the covered bondholders pursuant to the Programme Agreement and the Rules of the Organisation of Covered Bondholders (the “ <b>Representative of the Covered Bondholders</b> ”).
<b>Back-Up Servicer Facilitator</b>	Securitisation Services S.p.A. will act as back-up servicer facilitator pursuant to the Servicing Agreement (the “ <b>Back-Up Servicer Facilitator</b> ”).
<b>Stichting Corporate Services Provider</b>	Wilmington Trust Sp Services (London) Limited, a private limited liability company incorporated under the laws of England, having its

registered office at Third Floor, 1 King's Arms Yard, London EC2R 7AF, England.

**Ownership or control relationships between the principal parties**

As of the date of the Base Prospectus, no direct or indirect ownership or control relationships exist between the principal parties described above in this Section, other than the relationship existing between BPAA (as Issuer, Seller, Servicer and its other roles as indicated above) and the Guarantor, both of which belong to the BPAA Group.

The entities belonging to the BPAA Group are subject to the direction and coordination (*direzione e coordinamento*) of BPAA.

“**BPAA Group**” means jointly the banks and the other companies belonging from time to time to the Banca Popolare dell'Alto Adige S.p.A. banking group registered with the Bank of Italy pursuant to Article 64 of the Banking Law.

**Rating Agency**

Fitch Ratings Limited (“**Fitch**”), and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme (the “**Rating Agencies**”). Whether or not a rating in relation to any Tranche or Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in the Base Prospectus may be issued by Fitch, and/or any other rating agency each of which is established in the European Union and is registered under the CRA Regulation (as amended). As Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such CRA Regulation as of the date of the Base Prospectus.

**THE PROGRAMME**

**Description**

A covered bond programme under which Covered Bonds will be issued by the Issuer to Covered Bondholders and guaranteed by the Guarantor.

**Programme Amount**

Up to € 3,000,000,000.00 (and for this purpose, any Covered Bonds (*Obbligazioni Bancarie Garantite*) denominated in another currency shall be translated into Euro at the date of the agreement to issue such Covered Bonds, and the Euro exchange rate used shall be included in the Final Terms) in aggregate principal amount of Covered Bonds outstanding at any time (the “**Programme Limit**”). The Programme Limit may be increased in accordance with the terms of the Programme Agreement.

**THE COVERED BONDS**

## **Form of Covered Bonds**

The Covered Bonds will be issued and will be held in dematerialised form.

The Covered Bonds issued in dematerialised form will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli account holders. Each Series or Tranche will be deposited with Monte Titoli on the relevant Issue Date in accordance with Article 83-*bis* of the Financial Law, through the authorised institutions listed in Article 83-*quater* of the Financial Law. Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds issued in dematerialised form will at all times be evidenced by, and title thereto will be transferable by means of, book-entries in accordance with (i) the provisions of Article 83-*bis* et seq. of the Financial Law and the relevant implementing regulations and (ii) the regulation issued by the bank of Italy and the *Commissione Nazionale per le Società e per la Borsa* (“**CONSOB**”) on 13 August 2018, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

The *Commission de Surveillance du Secteur Financier* (“**CSSF**”) has neither reviewed nor approved the information contained in this Prospectus in relation to any issuance of the Covered Bonds that are not to be publicly offered and not to be admitted to trading on the regulated market of any Stock Exchange in any EU Member State and for which a prospectus is not required in accordance with the Prospectus Regulation.

## **Denomination of Covered Bonds**

In accordance with the Conditions, 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 or regulatory or central bank requirements (see Condition 3 (*Form, Denomination and Title*)).

The minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency).

## **Ranking 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 any preference among themselves, except in respect of maturities of each Series or Tranche, and (save for any applicable statutory provisions) at least equally with all other present and future unsecured, unsubordinated obligations of

the Issuer having the same maturity of each Series or Tranche of the Covered Bonds, from time to time outstanding.

## **Ratings**

Each Series or Tranche issued under the Programme may or may not be assigned a rating by the Rating Agency as specified in the relevant Final Terms on the Issue Date.

When a Series or Tranche 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 Series or Tranche of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to this Base Prospectus have been issued by the Rating Agencies (as defined above), which are established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of ESMA pursuant to the CRA Regulation.

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

## **Maturity Date**

The maturity date for each Series or Tranche (the “**Maturity Date**”) will be specified in the relevant Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the currency of the Covered Bonds. Unless previously redeemed as provided in Condition 7(d) (*Redemption at the option of the Issuer*) or Condition 7(f) (*Redemption at the option of Covered Bondholders*), and subject to any provision regarding the extension of maturity which may be included in the Final Terms, the Covered Bonds of each Series or Tranche will be redeemed at their Principal Amount Outstanding on the relevant Maturity Date.

## **Redemption of the Covered Bonds**

The applicable Final Terms relating to each Series or Tranche of Covered Bonds will indicate either (a) that the Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified cases, e.g. redemption by instalments if applicable, taxation reasons, or if it becomes unlawful for any Covered Bonds to remain outstanding, or following a Guarantor Event of Default), or (b) that

such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Representative of Covered Bondholders on behalf of the holders of the Covered Bonds (the “**Covered Bondholders**”) and in accordance with the provisions of the Conditions and of the relevant Final Terms, on a date or dates specified prior to such maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the Dealers (as set out in the applicable Final Terms) or (c) that such Covered Bonds will be redeemable at the option of the Covered Bondholders, as provided in Condition 7(f) (*Redemption at the Option of Covered Bondholders*).

Covered Bonds may be redeemable as specified in the relevant Final Terms and, in any case, the redemption amount shall be at least equal to par value. Covered Bonds may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.

**Early Redemption of the Covered Bonds**

In certain circumstances indicated under the Conditions (including an early redemption (i) for tax reasons or illegality, or (ii) following a delivery by the Representative of the Covered Bondholders of an Acceleration Notice upon the Covered Bond Guarantor), the Covered Bonds may be early redeemed at their Early Redemption Amount.

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

**Tax Gross Up and Redemption for taxation reasons**

Payments in respect of the Covered Bonds to be made by the Issuer will be made without deduction for or on account of withholding taxes imposed by Italy, subject to the provisions of Condition 7(c) (*Redemption for tax reasons*).

In the event that any such withholding or deduction is to be made, the Issuer will be required to pay additional amounts to cover the amounts so deducted. In such circumstances and provided that such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Covered Bonds will be redeemable (in whole, but not in part) at the option of the Issuer. See Condition 7(c) (*Redemption for tax reasons*).

The Guarantor will not be liable to pay any additional amount due to taxation reasons following an Issuer Event of Default (as defined below).

**Redemption by instalments**

If the Covered Bonds are specified in the relevant Final Terms as being amortising and redeemable in instalments they will be redeemed in such number of instalments, in such amounts (“**Instalment Amounts**”) and on such dates as may be specified in or determined in accordance with the relevant Final Terms and upon each partial



redemption as provided by the Condition 7(e) (*Partial redemption and instalment redemption*), the outstanding principal amount of each such Covered Bonds shall be reduced by the relevant Instalment Amount for all purposes.

### **Extended Maturity Date**

The applicable Final Terms relating to each Series or Tranche of Covered Bonds may also provide that the Guarantor's obligations under the Covered Bond Guarantee to pay Guaranteed Amounts equal to the Final Redemption Amount of the applicable Series or Tranche of Covered Bonds on their Maturity Date may be deferred pursuant to the Conditions (the “**Extended Maturity Date**”). Such deferral will automatically occur, if so stated in the relevant Final Terms, if:

- (a) an Issuer Event of Default has occurred; and
- (b) the Guarantor has insufficient moneys available (in accordance with the Post-Issuer Event of Default Priority of Payments) to pay in full any amount representing the Guaranteed Amounts corresponding to the amount due (subject to the applicable grace period) in respect of the relevant Series or Tranche of Covered Bond as set out in the relevant Final Terms (the “**Final Redemption Amount**”) on the Extension Determination Date.

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

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

Notwithstanding the above, if the Maturity Date is extended as a consequence of the occurrence of an Article 74 Event (as defined below), upon termination of the Suspension Period and service of the Article 74 Event Cure Notice (as both defined below), the Issuer shall resume responsibility for meeting the payment obligations under any

Series or Tranche of Covered Bonds in respect of which an Extension of Maturity has occurred.

### **Extended Instalment Date**

The applicable Final Terms relating to each Series or Tranche of Covered Bonds may also provide that the Guarantor's obligations under the Covered Bond Guarantee to pay Guaranteed Amounts corresponding to an Instalment Amount of the applicable Series or Tranche of Covered Bonds on the relevant Covered Bond Instalment Date may be deferred pursuant to the Conditions (the “**Extended Instalment Date**”). Such deferral will automatically occur, if so stated in the relevant Final Terms, if:

- (a) an Issuer Event of Default has occurred; and
- (b) the Guarantor has insufficient moneys available (in accordance with the Post-Issuer Event of Default Priority of Payments) to pay the Guaranteed Amounts corresponding to the Instalment Amount in full in respect of the relevant Series or Tranche of Covered Bond as set out in the relevant Final Terms on the Instalment Extension Determination Date.

Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Instalment Date, **provided that**, any amount representing the Instalment Amounts due and remaining unpaid after the Instalment Extension Determination Date (as defined below) may be paid by the Guarantor on any CB Payment Date thereafter according to the relevant Final Terms, up to (and including) the relevant Extended Instalment Date. Interest will continue to accrue and be payable on any unpaid amount up to the Extended Instalment Date in accordance with Condition 7(j) (*Extension of principal instalment*).

### **Tests**

The Programme provides that the assets of the Guarantor are subject to the statutory tests provided for under Article 3 of the MEF Decree, 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 Sellers and the Issuer must always ensure that the following tests are satisfied on each Test Calculation Date:

- the Nominal Value Test;
- the Net Present Value Test;
- the Interest Coverage Test;
- (“**Statutory Tests**”); and
- the Asset Coverage Test.

(the “**Statutory Tests**” and, together the Asset Coverage Test collectively, the “**Tests**”).

## **Amortisation 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 Notice to Pay on the Issuer and the Guarantor (but prior to service on the Guarantor of a Acceleration 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 Administration Agreement, the Guarantor must ensure that, on each Test Calculation Date following service of a Notice to Pay on the Issuer and the Guarantor but prior to a Guarantor Event of Default and service of a Acceleration Notice, the Amortisation Test Aggregate Loan Amount will be 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.

## **Role of the Asset Monitor**

The Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer (the "**Engagement Letter**"). The Asset Monitor will also perform the other activities provided under the Asset Monitor Agreement entered into on or about the Initial Issue Date.

## **Issue Price**

Covered Bonds may be issued at an issue price which is at par or at a discount to, or at a premium over, par, as specified in the relevant Final Terms (in each case, the "**Issue Price**" for such Series or Tranche).

## **Interest on the Covered Bonds**

Except for the Zero Coupon Covered Bonds and unless otherwise specified in the Conditions and the relevant Final Terms, the Covered Bonds will be interest-bearing and interest will be calculated on the principal amount outstanding of the relevant Covered Bonds (the "**Principal Amount Outstanding**"). Interest will be calculated on the basis of such Day Count Fraction in accordance with the Conditions and in the relevant Final Terms. Interest may accrue on the Covered Bonds at a fixed rate or a floating rate or on such other basis and at such rate as may be so specified in the relevant Final Terms and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series or Tranche.

## **Types of Covered Bonds**

In accordance with the Conditions, the Covered Bonds may be Amortising Covered Bonds, Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms. The Covered Bonds may be Covered Bonds scheduled to be redeemed in full on the Maturity Date and Covered Bonds repayable in one or more instalments or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown

in the applicable Final Terms. Each Series or tranche shall be comprised of Fixed Rate Covered Bonds only or Floating Rate Covered Bonds only or Amortising Covered Bonds only or Zero Coupon Covered Bonds only or such other Covered Bonds accruing interest on such other basis and at such other rate as may be so specified in the relevant Final Terms only.

*Amortising Covered Bonds:* Covered Bonds with a predefined amortisation schedule where, in addition to interest, the Issuer will pay, on each relevant CB Payment Date, a portion of principal up to the relevant Maturity Date (as set out in the applicable Final Terms) in instalments.

*Fixed Rate Covered Bonds:* fixed interest on the Covered Bonds will be payable in accordance with the relevant Final Terms, on such date as may be agreed between the Issuer and the Dealer and on redemption and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

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

The margin (if any) relating to such floating rate will be agreed between the Issuer and the Dealers for each Series or Tranche of Floating Rate Covered Bonds.

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

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

*Zero Coupon Covered Bonds:* Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.

## **Cross Acceleration**

After the delivery of an Acceleration Notice with respect to a Series or Tranche, all Series or Tranche of Covered Bonds then outstanding will cross accelerate at the same time against the Guarantor, provided that the Covered Bonds do not otherwise contain a cross default provision and will thus not cross accelerate against the Guarantor in case of an Issuer Event of Default.

## **Listing and admission to trading**

Application has been made for the approval of the Base Prospectus by the CSSF as a base prospectus issued in compliance with the Prospectus Regulation. Application will be made for Covered Bonds issued under the Programme to be admitted to trading on the regulated

market or on the Professional Segment of the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange.

Covered Bonds may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the Dealers in relation to the Series or Tranche. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. The CSSF has neither reviewed nor approved the information contained in this Base Prospectus in relation to any issuance of the Covered Bonds that are not to be publicly offered and not to be admitted to trading on the regulated market of any Stock Exchange in any EU Member State and for which a prospectus is not required in accordance with the Prospectus Regulation.

## **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 Transaction Documents and any non-contractual obligations arising out of, or in connection, thereof will be governed by Italian law, except for the Swap Agreements, if any, which will be governed by English law.

## **THE GUARANTOR AND THE COVERED BOND GUARANTEE**

### **The Covered Bond Guarantee**

Under the terms of the Covered Bond Guarantee the Guarantor will be obliged to pay Guaranteed Amounts in respect of the Covered Bonds on the relevant Due for Payment Date in accordance with the relevant Priority of Payments (as defined therein).

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

The obligations of the Guarantor to make payments in respect of the Guaranteed Amounts when due for payment are subject to the conditions that an Issuer Event of Default has occurred and a Notice to Pay has been served by the Representative of the Covered Bondholders on the Issuer and on the Guarantor or, if earlier, a Guarantor Event of Default has occurred and an Acceleration Notice has been served on the Guarantor. The obligations of the Guarantor will accelerate with respect to all Guaranteed Amounts once an Acceleration Notice has been delivered to the Guarantor.

The obligations of the Guarantor under the Covered Bond Guarantee shall constitute a first demand, unconditional and independent

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

## **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 the MEF Decree, 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**

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

- (i) failure by the Issuer to pay any amount of interest and/or principal due and payable on the Covered Bonds of any Series or Tranche at their relevant Guarantor 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 by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the

Statutory Tests), (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

- (iii) any of the events described in paragraphs (i) to (ii) above occurs in respect of any other Series of Covered Bonds; or
- (iv) an Insolvency Event of the Issuer has occurred; or
- (v) an Article 74 Event has occurred (as defined below); or
- (vi) the Issuer ceases to carry on its primary business (because of the loss of its banking license or otherwise); or
- (vii) if, following the delivery of a Breach of Test Notice, the Statutory Tests and the Asset Coverage Test are not met at, or prior to, the next Test Calculation Date unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise.

If an Issuer Event of Default occurs, the Representative of the Covered Bondholders may, at its sole discretion, or shall, if so directed by an Extraordinary Resolution, serve a written notice (the “**Notice to Pay**”) on the Issuer and the Guarantor declaring that an Issuer Event of Default has occurred (specifying, in case of an Article 74 Event that the Issuer Event of Default may be temporary).

Upon the service of a Notice to Pay:

- (a) each Series or Tranche of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, *provided that*:
  - (A) such events shall not trigger an acceleration against the Guarantor,
  - (B) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer and
- (b) the Guarantor will pay any amounts due under the Covered Bonds in accordance with the provisions of the Covered Bond Guarantee (See Sections *Covered Bond Guarantee*);

- (c) the Statutory Tests shall continue to be applied and the Amortisation Test shall be also applied;
- (d) the Guarantor shall (only if necessary in order to timely effect any payments due under the Covered Bonds) direct the Servicer to sell the Receivables in accordance with the provisions of the Cover Pool Administration Agreement;
- (e) no further payments to the Seller under the Subordinated Loan Agreement shall be effected until all Covered Bonds are fully repaid or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated;
- (f) no further Eligible Assets and/or Integration Assets shall be transferred from the Seller to the Guarantor pursuant to Clause 2.3.2 and 2.3.3 of the Master Transfer Agreement;
- (g) no further Covered Bonds will be issued.

*provided that*, in case of Article 74 Event, the effects listed in items from (a) to (c) above will only apply during the Suspension Period. Accordingly (A) the Guarantor, in accordance with MEF Decree, 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. The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of an Article 74 Event Cure Notice.

### **Guarantor Events of Default**

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

- (i) failure by the Guarantor 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, it being understood that, for the avoidance of doubt, with reference to the failure by the Guarantor to pay any principal due at the Maturity Date, no Guarantor Event of Default shall occur should an Extended Maturity Date have been specified as applicable in the relevant Final Terms; or
- (ii) breach of the Amortisation Test on any Test Calculation Date (provided that, in case of an Issuer Event of Default consisting in an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 Event Cure Notice); or



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

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

Upon service of an Acceleration Notice upon the Guarantor:

- (i) the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest;
- (ii) subject to and in accordance with the terms of the Covered Bond Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 9(a) (*Gross up*)) in accordance with the Priority of Payments;
- (iii) the Guarantor shall immediately sell all assets included in the Cover Pool in accordance with the provisions of the Cover Pool Administration Agreement; and
- (iv) 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;

- (v) no further Eligible Assets and/or Integration Assets shall be transferred from the Seller to the Guarantor pursuant to the Master Transfer Agreement.

## **Available Funds**

On each Guarantor Payment Date, the “**Available Funds**” shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) the amounts received by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree (the “**Excess Proceeds**”) provided that the Available Funds do not include the Swap Collateral.

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

- (a) any interest collected by the Servicer in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (b) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;
- (c) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) any amounts other than in respect of principal received under the Swap Agreements (other than any Swap Collateral);
- (f) any swap termination payments received from a Covered Bond Swap Counterparty under a Swap Agreement, provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a Replacement Covered Bond Swap Counterparty to enter into a Replacement Swap Agreement, unless a Replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;
- (g) prior to the service of a Notice to Pay on the Guarantor amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount and following the

service of a Notice to Pay on the Guarantor, any amounts standing to the credit of the Reserve Account;

- (h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (i) the interest amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period.

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

- (a) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (b) all other recoveries in the nature of principal collected by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (c) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) without duplication with other items of this definition, all principal proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;
- (f) all amounts in respect of principal (if any) received under any Swap Agreement (other than the Swap Collateral);
- (g) any amounts to be transferred pursuant to item (vi) of the Pre-Issuer Event of Default Interest Priority of Payments;
- (h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

- (i) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period;
- (j) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts.

### **The Eligible Assets**

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 Transfer Agreement and (ii) Integration 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 Integration 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”.

### **Recourse**

In accordance with the legal framework established by The Law 130 and the Decree of the Ministry of Economy and Finance No. 310 of 14 December 2006 (the “**MEF Decree**”) and with the terms and conditions of the relevant Transaction Documents (as defined below), the Covered Bondholders will benefit from recourse on the Issuer and limited recourse on the Guarantor. The obligation of the Guarantor under the Covered Bond Guarantee shall be limited recourse to the Available Funds.

### **Subordinated Loan**

Pursuant to a subordinated loan agreement entered into on 1 October 2019 between the Seller and the Guarantor (the “**Subordinated Loan Agreement**”) the Seller granted to the Guarantor a subordinated loan (the “**Subordinated Loan**”) with a maximum amount equal to the relevant individual commitment limit as specified in the Subordinated Loan Agreement (each, the “**Individual Commitment Limit**”). Under the provisions of such agreement, the Seller shall make advances to the Guarantor in amounts equal to the relevant price of the Eligible Assets and/or Integration Assets transferred from time to time to the Guarantor (the “**Term Loans**”).

Each Term Loan shall be remunerated by way of:

- (a) the Base Interest (*Interessi Base*) (as defined below); and
- (b) the Premium Interest (*Interessi Aggiuntivi*) (as defined below).

## **SALE AND DISTRIBUTION**

### **Distribution of the Covered Bonds**

The Covered Bonds may be distributed on a syndicated or non-syndicated basis, in each case only in accordance with the relevant selling restrictions.

## **Selling Restrictions**

The offer, sale and delivery of the Covered Bonds and the distribution of offering material in certain jurisdictions may be subject to certain selling restrictions. Persons who are in possession of the Base Prospectus are required by the Issuer, the Dealers and the Joint Arrangers to inform themselves about, and to observe, any such restriction. The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, the Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of the Base Prospectus and the offer or sale of Covered Bonds in the European Economic Area, including the United Kingdom, the Republic of Ireland, Germany, the Republic of Italy, and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of the Base Prospectus, see section “*Subscription and Sale*” of the Base Prospectus.

## **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 8 main sections – Risks related to the Issuer's financial situation, Risks related to the Issuer's business activities and industry, Legal and regulatory risks, Internal control risks, Risks related to the nature of the Covered Bonds, Risks related to the underlying, Risks related to the Guarantor and the Covered Bond Guarantee and Risks related to the offer to the public and admission of the Covered Bonds to trading on a regulated market.*

*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. 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.*

### **1. RISKS RELATED TO THE ISSUER'S FINANCIAL SITUATION**

#### ***Impact of events which are difficult to anticipate***

The Issuer's earnings and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

#### ***Changes in interest rates***

Fluctuations in interest rates influence the Issuer's financial performance. The results of the Issuer's banking operations are affected by the Issuer's management of interest rate sensitivity and, in particular, changes in market interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Issuer's financial condition or results of operations.

#### ***Historical Information***

The historical, financial and other information set out in the sections headed "*Description of the Issuer*" and "*Overview Financial Information relating to the Issuer*", and in the financial statements of the Issuer incorporated by reference in this Base Prospectus, represents the historical experience of Banca Popolare dell'Alto Adige. There can be no assurance that the future experience and performance of the Issuer will be similar to the past experience described in this Base Prospectus.

#### ***Risks arising from the difficult market and economic conditions, instability in the European Union and potential deterioration of the sovereign debt crisis***

The performance of Banca Popolare dell'Alto Adige is influenced by the economic situation generally, the Eurozone and Italy, as well as by the dynamics of financial markets, in particular, by the stability and growth prospects of the geographical areas in which the Issuer operates. The capacity of the Issuer to generate income and the its solvency depend on such factors as investor expectations and confidence, levels and volatility of short and long-term interest rates, exchange rates and liquidity of financial markets, availability and cost of capital, sustainability of sovereign debt, household income and consumer spending, levels of unemployment, inflation and housing prices. Adverse changes in these factors, especially in the periods of economic and financial crisis, could result in losses for the Issuer as well as increases in financing costs and reductions in the value of assets held, all of which could have a negative effect on liquidity and capital solidity of Banca Popolare dell'Alto Adige.

The current macroeconomic situation is characterised by significant uncertainties that relate to:

- (a) developments related to the UK national referendum held on 23 June 2016 where the UK voted to leave the European Union (the "**Brexit**"). Due to unprecedented nature of Brexit, the consequences of it are unknown and will depend, *inter alia*, on any relevant agreement the United Kingdom will manage to make in order to maintain access to the European Union markets. Brexit could cause an increase in volatility in financial markets, a deterioration in the terms of financing, especially in the countries like Italy, and consequently a possible economic slowdown;
- (b) trends of the real economy as regard to the prospects of recovery, dynamics of national economic growth and the stability of the economies in those countries (United States and China), which have shown a substantial growth in recent years;
- (c) future developments in the monetary policy of the ECB in the Eurozone and of the FED area in the dollar area, and in the policies implemented by various countries aimed at encouraging competitive devaluations of their currencies;
- (d) sustainability of sovereign debts in some countries and the tensions on financial markets;
- (e) recent developments in the sovereign debt crisis in Greece, which have brought significant uncertainties as to the future of Greece in the euro area, and in the worst case scenario, a possible contagion effect in the sovereign debt markets of different euro area countries, and
- (f) recent turmoil on the main Asian financial markets, including, in particular, the Chinese market.

Negative developments in all or some only of the above factors may have an adverse effect on the Issuer's financial condition and results of operations.

***Risks related to the United Kingdom becoming a third country for the purposes of application of the EU regulatory framework***

Article 55 of the BRRD requires EU Member States to implement legislation which requires EU financial institutions to include in certain agreements a contractual term requiring their counterparties to recognise the write down and conversion powers available to their regulators (bail-in). The BRRD has been supplemented by EU Regulation 2016/1075, which was issued on 8 July 2016 and sets out the mandatory contents for such a clause. The requirement applies where the agreement relates to a liability which is not excluded and which is governed by third country law, namely, non-EEA law.

Other than subordination and certain other provisions relating to the Covered Bonds, the conditions of the Covered Bonds are based on Italian law in effect as at the date of this Base Prospectus. After the United Kingdom ceases to be a member of the EU, and without any agreement to the contrary, it will become a third

country for the purposes of EU law after Brexit and English law will become non-EU law. Each investor in the Covered Bonds will be required to acknowledge, accept, consent and agree to be bound by the effect of the exercise of any resolution tool (including the sale of business tool, the bridge institution tool, and the asset separation tool) by the relevant resolution authority in compliance with the laws, regulations, rules or requirements in effect at such time in Italy, relating to (a) the transposition of the BRRD, including but not limited to Legislative Decrees No. 180/2015 and 181/2015; (b) the SRM Regulation, and (b) any instruments, rules and standards created thereunder. The potential impact of any resolution tool may include the total loss of value of the securities of any series, and under certain circumstances, the inability of the Issuer to perform its obligations under its securities.

## **2. RISKS RELATED TO THE ISSUER'S BUSINESS ACTIVITIES AND INDUSTRY**

### ***Competition in the Italian market***

Competition is intense in all of the Issuer's primary business areas in Italy. The Issuer derives nearly all of its banking income from its banking activities in Italy and in particular in Alto Adige where approximately 34 per cent. of its branches as at the date of this Base Prospectus are based, a mature market where competitive pressures have been increasing quickly and which is currently going through a process of consolidation, with large banking groups undergoing mergers and acquisitions to achieve greater economies of scale. The banking sector has also seen the emergence in recent years of alternative distribution channels for many of the products that the Issuer offers. Other factors which may affect competition include consumer demand, technological changes and the regulatory framework. The implementation of the euro has also resulted in increased cross-border competition. Competitive pressures could result in increased pricing pressures on a number of the Issuer's products and services, particularly as competitors seek to win market share, and may harm its ability to maintain or increase profitability.

### ***Protracted market declines and reduced liquidity in the markets***

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Issuer's operation, results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

### ***Risk management and exposure to unidentified or unanticipated risks***

The Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, interest rate, liquidity, reputational and operating risks and intends to continue to do so in the future. Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation as well as its revenues and profits may be negatively affected.



### ***Operational risks***

Operational risk is the risk of losses arising from errors or inadequate internal processes, human resources and systems or from external events. The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorized transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems, cyber-attacks on the Issuer's information systems and digital infrastructures. The Issuer's systems and processes are designed to ensure that the operational risks associated with the Issuer's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Issuer's financial performance and business activities.

### ***Concentration risks***

Concentration risk is a risk deriving from credit exposure to the counterparties, groups of related counterparties, counterparties that operate in the same economic sector or which exercise the same activities. Concentration risk is measured in compliance with the provisions of Bank of Italy Circular No. 285 (Title III – Chapter 1 – Annex B) by the Granularity Adjustment (GA) method. Specific procedures were defined under the Internal Capital Adequacy Assessment Process (ICAAP) in compliance with applicable regulatory provisions in order to calculate geo-sector concentration risk, namely, the risk deriving from counterparties operating in the same sector or geographical area. Banca Popolare dell'Alto Adige has also established a defined system of limits that controls and steers the guidelines in order to limit exposure to concentration risk in the Issuer's loan portfolio. The various forms of concentration risk are also monitored in the quarterly credit report and discussed at the quarterly meetings of the internal credit committee of the Issuer.

### ***Liquidity risks***

Liquidity risk is the risk that the Issuer might be unable to meet its payment obligations when due or to fund increases in its assets. This risk is inherent in any retail and commercial banking business and can be heightened by a number of bank-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. Liquidity risk mainly takes the form of inability of the Issuer to:

- obtain funds on the market (funding liquidity risk);
- obtain funds by selling assets on the market (asset liquidity risk).

While the Issuer implements liquidity management processes in accordance with the instructions and operational guidelines contained in the liquidity and funding policy (which is continuously updated) and seeks to mitigate and control these risks, unforeseen systemic market factors make it difficult to eliminate completely these risks. Continued constraints in the supply of liquidity, including in inter-bank lending, have affected and may materially and adversely affect the cost of funding of the Issuer's business, and extreme liquidity constraints may affect its current operations and its ability to fulfil regulatory liquidity requirements, as well as limit growth possibilities.

## **3. LEGAL AND REGULATORY RISKS**

### ***Law 130***

The Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. In recent years, the Law 130 has been amended by Law Decree no. 145 of December 2013 (the “**Destinazione Italia Decree**”) as converted into Law no. 9 of 21 February 2014, by Law Decree no. 91 of 24 June 2014 (the “**Decree Competitività**”), as converted with amendments into Law No. 116 of 11 August 2014 and by Law

Decree no. 34 of 30 April 2019 (the “**Growth Decree**”), as converted with amendments into Law No. 58 of 28 June 2019. As at the date of this Base Prospectus, no interpretation of the application of the Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree of the Italian Ministry for the Economy and Finance No. 310 of 14 December 2006 (the “**MEF Decree**”), 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 “**BoI Regulations**”) concerning guidelines on the valuation of assets, the procedure for purchasing Integration Assets and controls required to ensure compliance with the legislation. Consequently, it is possible that any Italian court may issue a ruling relating to the Law 130 or a governmental or regulatory authority may issue further regulations relating to the Law 130 or the interpretation thereof, having an impact to the Programme and which cannot be predicted by the Issuer as at the date of this Base Prospectus.

### ***Evolving regulatory environment***

The Issuer is subject to the Capital Requirements Regulation (Regulation (EU) No. 575/2013 or “**CRR**”) and the Capital Requirements Directive (Directive 2013/36/EU or “**CRD IV**”), through which the European Union, as of 1 January 2014, began the implementation of the Basel III capital reforms, with certain requirements phased in until 1 January 2019 and some minor transitional provisions until 2024. The CRR, as complemented by several binding technical standards and guidelines issued by the European Banking Authority (“**EBA**”), is directly applicable in all EU Member States, without the need for national implementation measures either.

The CRD IV was implemented in Italy by the Legislative Decree No. 72 of 12 May 2015 (in force as of 27 June 2015) and the Bank of Italy supervisory regulations, which are constantly updated, (“**Circular No. 285**”), providing, *inter alia*, for additional national prudential rules governing matters not harmonised at the level of the European Union.

Article 104 of the CRD IV and Article 16 of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the “**SSM Regulation**”), also contemplate that in addition to the so-called Pillar 1 capital requirements (“**Pillar 1 requirement**”), which is a minimum capital requirement applicable to all banks (including, if applicable, any buffer capital requirements), supervisory authorities may impose further Pillar 2 capital requirements (“**Pillar 2 requirement**”) to cover other risks, including those not considered to be fully captured by the minimum capital requirements under the CRD IV or to address macro-prudential risks. This may result in the imposition of additional capital requirements on the Issuer pursuant to the Pillar 2 requirement.

The 2016 SREP (as defined below) introduced the so-called Pillar 2 guidance (“**Pillar 2 guidance**”). As a result, the capital demand resulting from the SREP now consists of two elements, namely (a) Pillar 2 requirement, which is intended to cover risks underestimated or not covered by Pillar 1 requirement, and (b) Pillar 2 guidance, which indicates to the banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stress situations. While Pillar 2 requirement is binding and breaches can have direct legal consequences for banks, Pillar 2 guidance is not. However, ECB expects banks to comply with Pillar 2 guidance.

In addition to the above, the EBA published on 19 December 2014 its final guidelines on common procedures and methodologies for the supervisory review and evaluation process (“**SREP**” and “**SREP Guidelines**”), including proposed guidelines for a common approach to determining the amount and composition of additional capital requirements implemented on 1 January 2016. Under these guidelines, national supervisory authorities must set a composition requirement for the additional capital requirements to cover certain specified risks of at least 56 per cent. CET1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors

should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above combined buffer requirement is in addition to the minimum capital requirement and to the additional capital requirement. In this regard, under Article 141 of the CRD IV, Member States of the EU must require that an institution that fails to meet the combined buffer requirement or the Pillar 2 requirement described above, will be prohibited from paying any discretionary payments (which are defined broadly by the CRD IV as payments relating to CET1, variable remuneration and payments on Additional Tier 1 capital instruments), until it calculates its applicable restrictions and communicates them to the regulator and, once completed, such institution will be subject to restricted discretionary payments. The restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the last distribution of profits or discretionary payment. Such calculation will result in a Maximum Distributable Amount ("MDA") in each relevant period. In particular, the scaling is such that in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. See *"The Issuer is subject to the provisions of the EU Bank Recovery and Resolution Directive"* below.

In compliance with CRD IV and EBA SREP Guidelines, the Bank of Italy, as Italian competent authority, may require Italian institutions to hold own funds in excess of the requirements set out in the CRR. On 28 June 2018, the Issuer received notification from the Bank of Italy of the final decision concerning the capital requirements Banca Popolare dell'Alto Adige has to meet, following the results of the 2017 SREP.

As of 1 January 2019, the Issuer is required to comply with the following capital requirements:

- (i) a CET1 capital ratio of 7.7 per cent. comprising a binding requirement of 5.20 per cent. (of which 4.50 per cent. as a minimum regulatory capital requirement and 0.70 per cent. as additional capital requirement determined by the SREP outcome) and a capital conservation buffer;
- (ii) a Tier 1 capital ratio of 9.438 per cent. comprising a binding requirement of 6.938 per cent. (of which 6 per cent. as a minimum regulatory requirement and 0.938 per cent. as additional capital requirement determined by the SREP outcome) and capital conservation buffer; and
- (iii) a total capital ratio of 11.75 per cent., comprising a binding requirement of 9.25 per cent. (of which 8 per cent. as a minimum regulatory capital requirement and 1.25 per cent. as additional capital requirement determined by the SREP outcome) and capital conservation buffer.

The above capital requirements correspond to the overall capital requirements (OCR) ratio (as defined by the SREP Guidelines) and are the sum of the binding measures – corresponding to the total SREP capital requirements (TSCR) ratio (as defined by the SREP Guidelines) – and of the capital conservation buffer.

There can be no assurance that the Issuer will be able to comply with potentially more stringent prudential regulations concerning capital adequacy indicated above.

Failure to maintain the minimum capital adequacy and other regulatory ratios or to otherwise maintain sufficient levels of capital to conduct the Issuer's business may have an adverse effect on the business, financial condition and results of operations of the Issuer. Moreover, a breach of laws relating to the minimum capital adequacy and other regulatory ratios may result in the Bank being subject to administrative sanctions or regulatory resolution measures which may result in an increase in the operating costs of the Bank, loss of reputation, and, consequently, an adverse effect on the business, financial condition and results of operations of the Bank.

***The Issuer is subject to the provisions of the EU Bank Recovery and Resolution Directive***

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force and Member States were expected to implement the majority of its provisions.

The BRRD provides competent authorities with broad powers to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures. The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If banks do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. Resolution authorities have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayer bail-outs.

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework and the BRRD.

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

In addition to the general bail-in tool and other resolution tools, the BRRD provides for resolution authorities to have the further power to permanently write-down, or convert into shares or other instruments of ownership, capital instruments at the point of non-viability and before any other resolution action is taken ("**non-viability loss absorption**").

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

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The BRRD has been implemented in Italy through adoption by the Italian Government of Legislative Decree No. 180/2015 and Legislative Decree No. 181/2015 (together, the "**BRRD Decrees**"). Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the Consolidated Banking Law, as amended and deals principally with recovery plans, early intervention and changes to the creditor hierarchy.

Pursuant to Article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the write down/conversion powers in relation to secured liabilities, including covered bonds or the 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.

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 suspending payments for a temporary period, save for the securities set forth in 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) Article 44(3) states that the resolution authority may in specified exceptional circumstances partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of the Covered Bonds of a series may be subject to write-down/conversion upon an application of the general bail-in tool, while other series of the Covered Bonds issued by Banca Popolare dell'Alto Adige (or other *pari passu* ranking liabilities) are partially or fully excluded from the application of general bail-in tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or *pari passu* liabilities may be excluded from the application of the general bail-in tool and therefore the holders of such claims will receive a treatment which is more favourable than that received by holders of the Covered Bonds, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Furthermore, in respect of Covered Bonds, Article 108 of the BRRD requires that the Member States modify their national insolvency regimes so that deposits of natural persons and micro, small to medium sized enterprises (SMEs) in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to the Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking that applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of the Covered Bonds. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with ranking in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has varied the creditor hierarchy in the case of admission of Italian banks and investment firms to the liquidation proceedings (and therefore, the hierarchy that will apply in order to assess claims pursuant to Article 75 BRRD). As a result of such variation, as of 1 January 2019, all deposits save, for those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs, will benefit from priority over senior unsecured liabilities, albeit with ranking which is lower than that provided for individual and SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that as of 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 Covered Bonds, will rank, in normal insolvency proceedings, higher than Covered Bonds and, therefore, that on the application of the general bail-in tool such creditors will be written/down/converted into equity capital instruments only after Covered Bonds. Therefore, the safeguard contained in Article 75 of the BRRD would not provide any protection to specific Italian bank's counterparties 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.

Legislative Decree No. 181/2015 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. Since each holder of the Covered Bonds, will have expressly waived any rights of set-off, netting, counterclaim, abatement or other similar remedy which they might otherwise have, under the laws of any jurisdiction, in respect of such Covered Bonds, it is clear that the statutory right of set-off otherwise available under Italian insolvency laws will – as a result of the express provisions contained in the Terms and Conditions - not apply. As the BRRD has only recently been implemented in Italy and other Member States, there is material uncertainty as to the effects of any application of it in practice. The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD has been fully implemented, the holders of the Covered Bonds may be subject to write-down/conversion into shares or other instruments of ownership on any application of the general bail-in tool and to non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in the Covered Bonds and/or the ability of the Issuer to satisfy its obligations under the Covered Bonds.

Moreover, as from the end of 2016, the European banks have to comply, at all times, with a minimum requirement for own funds and eligible liabilities ("**MREL**") established by Article 45 of the BRRD. The MREL represents one of the key tools aimed at improving the resolvability of the banks, allowing the resolution authorities to maintain critical functions and restore a bank's capital position after resolution, and is to be calculated as the amount of own funds and eligible liabilities expressed as a percentage of total liabilities and own funds of the institution. The BRRD does not provide for an absolute minimum, but gives the competence to set a minimum amount for each bank to the Single Resolution Board (the "**SRB**"), for the banks that are part of the Banking Union, and to the national resolution authorities, for those banks that do not form part of the Banking Union. The EBA has published the final draft MREL regulatory technical standards, which further define the way in which resolution authorities or the SRB, as applicable, shall calculate MREL. In application of Article 45(2) of the BRRD, the current version of the MREL regulatory technical standards is set out in a Commission Delegated Regulation (EU) 2016/1450 that was adopted by the Commission on 23 May 2016.

The ultimate objective of the BRRD is to enhance financial stability, reduce moral hazard, protect depositors and critical financial services, save public money and ensure the smooth functioning of the internal market for financial services. To that end, it provides for a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the BRRD or the taking of any resolution action, could materially affect the value of the Covered Bonds.

On 28 December 2017, Directive (EU) 2017/2399, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the "**BRRD Amending Directive**") and Regulation (EU) 2017/2395, amending the CRR as regards transitional arrangements for mitigating the introduction of IFRS 9 (the "**CRR Amending Regulation**") entered into force. The CRR Amending Regulation became directly applicable in the Member States as of 1 January 2018. The BRRD Amending Directive requires Member States to create a new asset class of non-preferred senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency and had to be implemented by the Member States by 29 December 2018. The amendments provide an additional means for credit institutions and certain other institutions to comply with, among others, a minimum requirement for own funds and eligible liabilities (MREL) requirements and improve their resolvability, without constraining their respective funding strategies. In Italy, on 1 January 2018 Italian

law No. 205 of 27 December 2017 (the "**2018 Budget Law**") introduced certain amendments to the Consolidated Banking Law, including the possibility for banks and companies belonging to the banking group to issue senior non-preferred debt instruments (*strumenti di debito chirografario di secondo livello*), which rank junior to all other unsecured claims (including operational liabilities and liabilities arising from derivatives of structured notes), but senior to subordinated liabilities in a bank insolvency (*liquidazione coatta amministrativa*), and therefore, in resolution. These new senior non-preferred debt instruments will have a unitary nominal value of at least Euro 250,000 and may only be sold to qualified investors (as defined in the Italian Finance Act and CONSOB (*Commissione nazionale per le società e la Borsa*) Regulation No. 20307 of 15 February 2018 (as amended from time to time)).

The Issuer may face increased compliance costs and limitations on its ability to pursue certain business opportunities. Changes in regulations, which are beyond its control, may have a material effect on its businesses and operations. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, no assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have material adverse effect on the Issuer's business.

#### ***Set-off risks***

The assignment of receivables under the Law 130 is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to the prevailing interpretation of such provision, such assignment becomes enforceable against the relevant debtors as of the later of (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*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.

Moreover, Law Decree no. 143 of 23 December 2013 (the "**Destinazione Italia Decree**") introduced certain amendments to article 4 of the Law 130. As a consequence of such amendments, it is now expressly provided by Covered Bond Law that the Debtors cannot exercise rights of set-off against the Covered Bonds Guarantor on claims arising vis-à-vis the Seller after the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

## **4. INTERNAL CONTROL RISKS**

### ***Controls over the transaction***

The BoI 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 Issuer's or the Guarantor's ability to perform their obligations under the Covered Bonds.

### ***Organisational issues***

Credit risk is the risk of incurring losses due to a default by counterparty or the risk that a debtor or counterparty fails to meet its financial obligations (more in particular, failure to make a full repayment of loans). This is one of the main risks that the Issuer faces. The risk affects all financial activities of the Issuer, in particular loans, securities, and all committed facilities in relation to guarantees issued or funding for distribution commitments. The analysis and assessment of credit risk mainly involves the quality and reliability of debtors and risk concentration.

Under the Issuer's internal rules and procedures on credit management, risk assessment is based on the principles of prudence. The full documentation that is required for an appropriate assessment of a debtor's creditworthiness is obtained at the time when a loan application is made. The documentation obtained must permit an assessment of the appropriate level of the amount and type of the loan as well as the project for which the loans is required. It must also permit a determination of the debtor's characteristics and qualities, taking into consideration of the dealings the debtor has and/or had with Banca Popolare dell'Alto Adige in the past, taken as a whole.

Pursuant to Title IV, Chapter 5 of the Supervisory Instructions (*Istruzioni di Vigilanza*) of the Bank of Italy, where there are connections of a legal or financial nature between customers of the Issuer, such customers are to be grouped together in terms of the risk they represent as a group (an economic group or a risk group).

At the time a loan is granted or renewed, there is an obligation to examine the current risks the applicant represents to the Issuer, and that of any group with which such applicant is connected.

When customer risk increases, the aim of credit management is to contain the Issuer's risk by promptly implementing all such measures that may be necessary or required.

In order to maintain correct and prudent credit management, in accordance with the Supervisory Instructions (Title IV, Chapter 11, Section II), Banca Popolare dell'Alto Adige has introduced appropriate systems for the identification, measurement and control of risks. In addition, a well-structured internal framework, which is regularly checked to ensure its efficiency, is in place to clearly define activities, roles and responsibilities of relevant persons at the Issuer during all phases of the loan process and to ensure the necessary separation between operational and control functions.

These controls form an integral part of the Issuer's daily activities and can be divided into the following three categories:

- *line controls*: carried out by the management of the organisational unit of the retail network (in particular, through limit excess and unpaid instalment verification performed by branches by means of special procedures and periodic progress report analysis) and by services functionally dependent on the credit management department (offices responsible for credit assessment and the anomalous loans analysis department);
- *special monitoring*: carried out by the second level independent audit offices, i.e. risk management and compliance. The risk management office is in charge of carefully monitoring credit risk by seeking to establish methods for measuring risk, ensuring that limits imposed are strictly complied with and that transactions are carried out consistently. The compliance office is responsible for ensuring that internal procedures are consistent with the aim of preventing violations of laws and regulations and/or internal regulations adopted by Banca Popolare dell'Alto Adige;
- *audits*: performed by the internal audit department as part of its on-site and remote auditing duties, for the purpose of verifying credit quality, the accuracy of procedures, and well informed decision-making by the relevant departments responsible for allocating and managing credit.



### ***Management, measurement and monitoring systems***

The lending process has the following structure:

- granting of a loan, which comprises: application, review, approval, completion of loan and any security to be provided;
- credit management, which comprises: drawings, monitoring, loan reviews, irregular loan management; and
- management of non-performing loans and credit recovery.

The first and most important stage in measuring and managing credit risk takes place at the time the loan is granted and, in particular, during initial application process, when the persons involved are identified, the documentation is gathered and reviewed, the various databases consulted and the offer drawn up.

The application procedure is supported by different forms of information technology and different skilled personnel structures depending on the kind of customer involved (private individuals, small businesses or corporate clients). In any case, the decision whether to grant the loan is made by the branch or local area if the sums do not exceed certain thresholds and by the Issuer's central bodies when amounts of the loan exceed the predefined thresholds; information technology is used to make an assessment of creditworthiness of the applicant at the time new loans are granted using both internal and external information sources.

Notwithstanding the above, the Board of Directors retains full discretion with regard to the risks that may be accepted; the Chairman has certain powers reserved to him by the Issuer's by-laws and the Executive Committee is vested with certain powers to address the urgent matters. The maximum credit limit that can be agreed for a business group, individual counterparty that is not a bank or a member of a banking group is established as 10 per cent. of the Own Funds ("*Fondi Propri*") (€857.9 million as at 31 December 2018).

Among the credit risk monitoring and management tasks, the internal rating system is particularly important as it allows credit managers to verify developments in customer credit ratings and identify positions under their control that show a reduction in the rating. This system, which has been operative for approximately ten years, is based on a scoring system which gives the customer a ranking based on a sliding scale of credit quality. Its calculation is based on performance indicators regarding the loan and various information from the Issuer's computer systems which enable any variation in the level of risk associated with the counterparty to be detected. The data management by the internal rating system is subject to constant analysis and verification by the Risk Management Office, particularly to measure and verify the system's predictive capacity for all customer types by means of appropriate statistical approaches.

The process to monitor credit is also guaranteed over the long-term by an automatic classification system for irregular positions (GDC, Credit Management), which uses an early warning engine to detect any substandard situations, starting from the performance rating and a series of daily indicators. In addition to the usual risk classes for impaired credit established by the supervisory body (past-due, unlikely-to-pay, forborne and doubtful loans), the system also provides two classes for performing customers:

- loans under observation are those that show minor and/or repeated irregularities. Network managers are in charge of managing and monitoring such loans;
- high risk loans are loans that continuously and repeatedly show performance-type irregularities (credit limit exceeded, instalments in arrears, high percentage of overdue bills, etc.), in the risk centre (reduction in notifying banks, short-term loan consolidation) or in the financial statements and for which payment is expected within 12 months after qualitative and quantitative processing of the loan.

### ***Deteriorated financial activities***

Loans exhibiting particularly serious negative signs or events are classified as impaired, and in turn allocated to one of the following categories according to level of impairment:

- *doubtful loans*: payments due from bankrupt entities, even if bankruptcy has not yet been officially confirmed, or those entities that are in essentially equivalent position, are classified as doubtful; as a result of such classification legal or other action is taken to settle or recover the exposure;
- *unlikely-to-pay loans*: loans which demonstrate ongoing irregularities in performance (persistent overdrafts, instalments in arrears, zero movement, etc.), system-related/Bank of Italy Central Credit Bureau (doubtful loans reported by the banking system without adequate justification), negative information (property actions, injunction orders, seizure, mortgage foreclosure, etc.), drastic deterioration in the financial and/or profitability or financial statements position, lack of funds for reimbursement, from which it could be presumed that the debtor is in real difficulty, also with the risk of insolvency, that could however be recovered in a reasonable period of time. Also under this category are all the positions which the Issuer considers it recommendable to allocate funds to a provision for risks (loss forecast);
- *forborne*: loans due from borrowers experiencing financial difficulty in meeting their financial commitments and for which the Issuer, in accordance with the regulatory provisions, grants concessions (such as restructuring of debt, extending the loan term, suspension of instalments/principal portions, reducing the interest rate or relevant fees payable on the loan, etc.). This category may cover exposures of performing (performing exposures with forbearance measures) and non-performing (nonperforming exposures with forbearance measures) status;
- *past due*: positions the payment on which, in accordance with the Bank of Italy's Circular No. 285 dated 17 December 2013 (as amended) remains due and payable for more than 90 days and where the exposure is higher than 5 per cent. of the overall exposure in the observation period.

Alongside the sales network impaired credit not classified as doubtful debt is also monitored by the Anomalous Loans Analysis Service with the aim of insolvency prevention.

Specifically, the steps to be taken for positions included in the watch list are as follows:

- immediate review of the position and any related positions (guarantor, affiliated, partner, associated companies), updating the relevant documentation and any estimates on guarantees granted;
- review of the relevant terms in order to assess the debtor's deteriorated risk profile;
- verification of the quality and total amount of guarantees issued;
- setting-up of a restructuring plan with the aim of turning around the position and improving guarantees through the definition of a detailed recovery plan submitted to the appropriate internal body for decision.

The Issuer's management of doubtful loans and credit collection is handled by the Doubtful Loans Service, a department which for the purpose of taking legal actions resorts to specialist internal department and a dedicated IT procedure for accounting procedures.

Debt collection activity is a proactive process and aims to optimize legal proceedings and maximize the financial end result. In particular, with regard to assessment of the initiatives to be taken, in-house legal advisors give

preference to out-of-court procedures, often with recourse to settlement agreements, which have a positive impact on collection times and the level of costs. Where out-of-court settlements cannot be carried out in a reasonable timeframe, especially for more significant positions and positions in which a higher level of collection can be expected, external legal advisors are appointed to commence legal actions which always constitutes a valid and fundamental coercive means to the debtor and a tool to resolve litigation. Credit that is minimal, irrecoverable or difficult to collect is generally treated en-masse and become subject of disposal transactions without recourse, given that legal action would be considered uneconomic in cost-benefit terms, or is assigned to a specialist credit collection company.

For the financial statements the value adjustments for performing and impaired loans are calculated according to current regulatory provisions and in such a way so as to obtain a valuation that is as prudent and as conservative as possible. In particular, unlikely-to-pay positions with exposures above Euro 25,000 and all the doubtful loans are subject to analytical assessment that is aimed to define provisions for expected losses. For each position, and for each relationship within the position, the extent of the expected loss is analytically calculated on the basis of debtor solvency, the type of guarantee, the current status of proceedings taken and, above all, on the value of the guarantees. The estimates are always calculated using maximum prudence criteria and performed or validated by qualified internal personnel, organizationally independent of the credit disbursement/assessment/collection processes. In addition, these always take into account the need to sell the asset immediately and, according to IFRS 9, are subject to cash discounting criteria.

The correct implementation of doubtful loans management and assessment activity is furthermore ensured by periodic audits performed through the internal auditing processes, and externally by the Board of Statutory Auditors and independent auditors.

### ***Financial Risk Management***

Market risk is defined as the risk of loss on owned financial instruments from possible fluctuations in financial market variables (rates, volatility, exchange rates, share prices), considering that each individual financial instrument may be exposed to one or more of these risks. Banca Popolare dell'Alto Adige, therefore, defines market risk as changes in the value of instruments due to market fluctuations.

The internal market risk control and management processes (interest rate and pricing) are contained in the "*Investment Policy*" and the "*Limits and operational powers for finance and liquidity*" documents. Both documents are subject to periodic review and consideration by the Board of Directors of the Issuer.

The policy formalizes the performance of risk management activities concerning market risks, defines the tasks and responsibilities assigned to the various organizational units having expertise on the matter and specifies, among other things, the main operating processes, the methods of measurement, the exposure limits, the information flows and corrective measures.

The investments and trading activity is, therefore, performed in conformity with the internal policy and is carried out within a structured internal regulatory system of delegations of management powers which provides for operational limitations defined in terms of negotiable financial instruments, amounts, duration, investment markets, issue and issuer types, sector and rating.

Risk monitoring is carried out by the Risk Management Office, which produces daily and monthly reports subject to scrutiny by the Internal Finance Committee, on a weekly basis, and by the Finance Committee, on a monthly basis. The latter sets the risk management policy in the context of the strategy contained in the annual Operating Plan.

With regard to the processes and methods of market risk monitoring and management, the indicators monitored and their related limits are provided below, together with the first and second level control processes on overall trading portfolio transactions. In general, the limits are classified according to the various types of market risk (interest rate and price), but are in any event managed within a single framework based on similar logic.

The authorization structure for finance operations is based on the four levels:

- operating limits;
- position limits: credit risk and concentration;
- stop-loss limits, and
- Value-at-Risk (VaR) limits.

The above represent the thresholds at which the limits are set at the beginning of each financial year by a resolution of the Issuer's Board of Directors.

The finance division determines, by agreement with the risk management division, the terms and limits for the assumption of risks in operating terms, for all those units that incur market risks.

Responsibility for daily checks on operating, position and stop-loss limits rests with the risk management function.

VaR represents an estimate of the maximum potential loss of a portfolio of securities in unfavourable market conditions. The compliance of risk profiles with the limits set in terms of VaR is ensured by the daily monitoring performed by the Risk Management Office.

### ***Liquidity Risk Management***

Liquidity risk is the risk that Banca Popolare dell'Alto Adige might not be able to meet its payment obligations when due, which would compromise day-to-day operations or the financial situation of the Issuer.

Liquidity risk management is described in the document "Liquidity and Funding Policy", which is reviewed and approved annually by the Board of Directors of the Issuer. The policy defines:

- the organisational model, that assigns roles and responsibilities to the offices involved in the liquidity management and control process;
- policies for managing operational and structural liquidity, indicating the models and metrics used to assess, monitor and control liquidity risk and for performing stress tests;
- Contingency Funding Plan (CFP), which provides the organisational processes and interventions undertaken to restore standard conditions in liquidity management in addition to providing a description of indicators to determine any critical situations.

In particular, the policy concerns the provisions on the governance and management of liquidity risk contained in Bank of Italy Circular No. 285 of 17 December 2013, as amended. The rules and regulations are based on the principle that an adequate liquidity risk governance and management system integrated with the overall risk management system, is fundamental for maintaining the stability of individual banks and the market. This includes rules on matters of organisation and internal controls, as well as the adoption of precise management instruments and public disclosure obligations, which although proportional to the operational size, organisational complexity and type of the activities performed by the individual banks, require a significant commitment on their part.

The management of liquidity risk is allocated to the Treasury Office, which operates under the direct management of the Finance Department. However, the definition and control of compliance with operational limits lies with the Risk Management Office. General Management is responsible for governance over liquidity, both as regards compliance with the limits defined and as regards tactical and structural funding strategies. In the event of liquidity emergencies, General Management is also responsible for activation, management, and coordination of the Issuer's Contingency Funding Plan.

An essential element, is the distinction between short-term operational liquidity (under 12 months) and medium/long-term structural liquidity (over 12 months). The former addresses unexpected critical situations due to specific shocks in the Issuer or the market; the latter, meets the need to ensure optimal management from a strategic standpoint, transformation of maturities between funding and loans, by balancing asset and liability maturities in order to prevent any future crises in liquidity.

The containment of exposure to liquidity risk is pursued primarily through a structured set of guidelines, operational decisions, and organisational control.

Measurement and control of operational liquidity and structural liquidity were defined by means of a system of indicators, limits, and reports, including daily. In particular, a maturity ladder was prepared, which is a system that monitors net financial position that reports the balances and therefore the imbalances between expected inflows and outflows over predefined time bands and, through the formation of cumulative imbalances, calculates the net financial requirement (or surplus) in the time horizon considered.

The Issuer uses the Liquidity at Risk (LaR) model in order to measure its liquidity risk; this is based on observing the "independent" negative net flows of liquidity – taking into consideration the historical series of the last 5 years – applying the Extreme Value Theory, which allows accuracy to be improved for high confidence levels. More in particular, the following daily balances are used: mandatory reserve at the Bank of Italy, inter-bank deposits, bond issues, securitisations, movement of securities owned, and extraordinary flows. The data is processed to determine the daily cash flow linked solely to decisions not under the direct control of the Issuer (Treasury Office) and so resulting from customer conduct. The 3 confidence levels in question should represent the Issuer's liquidity needs under normal conditions (up to the LaR value at 99% confidence), stress (up to 99.9%) and critical (up to 99.99%) at 1 day, 1 week (5 business days), 2 weeks (10 business days) and at one month (20 business days).

Other fundamental liquidity risk management functions relate to a stress test program aimed at evaluating the Issuer's vulnerability to exceptional but plausible events. In particular, stress testing is performed in terms of scenario analyses, consistent with the definition of liquidity risk adopted and attempting to simulate the behaviour of the Issuer's cash flow under unfavourable conditions, making subjective assumptions based on the Issuer's experience and/or instructions provided by supervisory regulations and guidelines.

Moreover, the organisational layout of the structures and functions responsible for managing liquidity and the related controls and contingency plans to be implemented in times of stress or crisis (CFP, Contingency Funding Plan) are clearly defined in the policy; a contingency is declared when there is problematic progression in a predefined series of external and internal factors.

Finally, starting from 2011, the Issuer defined a "Policy on the Internal Transfer Price System" (TIT).

### ***Operational Risk Management***

In line with the supervisory provisions, operational risk is defined as the risk of incurring losses due to errors, violations, interruptions, exogenous events or damages deriving from malfunctions in the internal processes or the unsuitability of people and/or systems. Operational risks include, among other things, the ensuing losses from theft

and fraud, human errors, interruptions of operations, the unavailability of systems, executions of transactions, breaches of contract, data processing, damage to real property, and natural catastrophes.

These risks are monitored, within the scope of the Internal Control System, by all internal control departments of the Issuer (Internal Audit, Compliance and Risk Management) in accordance with the following guidelines:

- prevention of occurrence or reduction of the probability of events occurring that could potentially generate operating losses, through the appropriate legal, organisational, procedural and training measures;
- mitigation of expected effects of such events;
- enhancement of the overall operational efficiency;
- protection of the Issuer's reputation and image.

Monitoring and management of operational risk are not only aimed at obtaining theoretical benefits in respect of asset requirements, but also at achieving an effective understanding at all levels of the potential risks inherent in the Issuer's daily activities and to take all necessary steps to effectively mitigate and reduce such risks.

Within the Internal Control System, the monitoring of operational risks is guaranteed by adoption of an integrated control model, which, along with the supervisory provisions, is organized into three levels, with each level governing the specific aspects related to its role, the business functions in charge of line control (or first level control) and the Issuer's control departments in charge of second level control (Risk management and Compliance) and the third level (Internal Audit).

The results of the monitoring and control are discussed on a regular basis and evaluated within the scope of the Internal Control Committee, comprising all Issuer's departments, and which, among other things, is in charge of establishing priorities and coordinating the control activities.

In addition, monitoring of the operational risks uses the results from the monitoring and analyses of operating losses contained in the periodic report drawn up by the risk management department and related discussions by the Internal Control Committee.

Since 2003, the Issuer has used a system for detecting and measuring operational losses with the purpose of improving management of potential sources of risk that could undermine Issuer stability. This system, employed by the Issuer, follows a similar initiative applied on a national scale by the Italian Banking Association (ABI). With the DIPO project (Italian database of operational losses) ABI is attempting to inform banks on how to implement these procedures and create a national databank that would allow banks to obtain more extensive and meaningful statistical data.

## **5. RISKS RELATED TO THE NATURE OF THE COVERED BONDS**

### ***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 a Notice to Pay or, if earlier, following the occurrence of a Guarantor

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

determine in accordance with the Rules of Organisation of the Covered Bondholders, whether any Covered Bondholder may commence any such individual actions.

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

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

***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 CB 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.

One or more independent credit rating agencies may assign credit ratings to the Issuer, or the Covered Bond (also where such credit rating agencies have not been engaged or solicited by the Issuer). Any 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 Bond. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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 registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. 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 subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

#### ***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 a Notice to Pay (but prior to a Guarantor Event of Default and service of an Acceleration Notice on the Guarantor) the Guarantor will use all monies to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become due for payment subject to paying certain higher ranking obligations of the Guarantor in the Post-Issuer Event of Default 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 Post-Issuer Event of Default 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 Covered Bond 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 an Acceleration 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 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 Transfer Agreement; and (ii) as consideration for the acquisition of the Integration Assets and/or other Eligible Assets from the Seller pursuant to the terms of the Cover Pool Administration 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.

***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.

***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***

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

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

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the U.S. Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Guarantor (such as a Covered Bond Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales, and it is owed a payment by the Guarantor, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the Italian law governed Programme Documents. In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy law. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). If a subordination provision included in the Programme Documents was successfully challenged under the insolvency laws of any relevant

jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Guarantor to satisfy its obligations under the Covered Bonds.

Given the general relevance of the issues under discussion in the judgments referred to above, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

### ***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.

#### *Redemption for tax reasons*

In the event that the Issuer would be 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 Initial Issue Date, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Covered Bonds in accordance with the Conditions.

In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

#### *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. Such a feature to convert the interest basis and any conversion of the interest basis may affect the secondary market and the market value of such Covered Bonds as the change of the interest basis may result in a lower interest result for Covered Bondholders. Where the Covered Bonds convert from a fixed rate to a floating rate, 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. Where

the Covered Bond convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Covered Bonds and could affect the market value of an investment in the relevant Covered Bonds.

#### *Interest rate risks*

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

#### *Floating rate risks*

Investments in Floating Rate Covered Bonds involve 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.

#### *Covered Bonds issued with a specific use of proceeds, such as to finance or refinance, in whole or in part, Eligible Green, Social or Sustainability Projects*

The applicable Final Terms relating to any Series of Covered Bonds may provide that it will be the Issuer's intention to apply the net proceeds from an offer of those Covered Bonds specifically for projects that:

- (i) promote eco-friendly and other environmental ("green") purposes ("**Green Bonds**" and "**Eligible Green Projects**");
- (ii) promote, among others, affordable basic infrastructure, access to essential services and employment generation ("social") purposes ("**Social Bonds**" and "**Eligible Social Projects**"), or
- (iii) are a combination of "green" and "social" purposes ("**Sustainability Bonds**" and "**Eligible Sustainability Projects**" and, together with the Eligible Green Projects and Eligible Social Projects, the "**Eligible Projects**").

Prospective investors should consider the information contained in the section "*General Information - Use of Proceeds*" and in the applicable Final Terms regarding such use of proceeds and reach their own views on the suitability of such Covered Bonds prior to making an investment.

There is currently no firm market consensus as to what precise attributes a particular project must have in order to qualify as "green", in the case of Green Bonds, "social", in the case of Social Bonds, or "sustainable", in the case of Sustainability Bonds, or to be given other equivalent label. Furthermore, no assurance can be given that a consensus will develop over time. The lack of market consensus is, to a certain extent, mitigated through voluntary measures, such as by complying with the green bond principles (the "**Green Bond Principles**"), social bond principles (the "**Social Bond Principles**") and sustainability bond principles (the "**Sustainability Bond Principles**"), and together with the Green Bond Principles and Social Bond Principles, the "**Principles**") published by the International Capital Market Association ("**ICMA**"), or by obtaining an external review.

The Principles aim to promote integrity of the Green Bond, Social Bond and Sustainability Bond markets through transparency, disclosure and reporting by the issuers. The Principles provide high-level categories for Eligible Projects and give other guidance on the key components involved in launching credible Green, Social or Sustainability Bonds. However, given a broad categorisation of project eligibility by the Principles, diversity of current market views and an ongoing development in the understanding of environmental and social issues

and their consequences, a degree of uncertainty with respect to what projects qualify as "green", "social" or "sustainability", and as a result which bonds may qualify as Green Bonds, Social Bonds or Sustainability Bonds, may be inevitable.

Accordingly, no assurance is or can be given to investors that:

- the use of such proceeds for any Eligible Projects will satisfy any investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply in accordance with any applicable laws or regulations or its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, social or sustainability impact of any Eligible Projects);
- any Eligible Projects will meet any investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any Eligible Projects. Moreover, where adverse impacts are insufficiently mitigated, the relevant Eligible Project may become controversial and may generate negative market opinion;
- as to the suitability or reliability for any purpose whatsoever of any external reviews (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Covered Bonds and, in particular, with any Eligible Projects, to fulfil any environmental, social and/or sustainability criteria. For the avoidance of doubt, any such external reviews, when made, shall not be deemed to be incorporated in and/or form part of this Base Prospectus nor shall be deemed to be a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Covered Bonds. Any such external review shall only be current as of its date. Prospective investors must determine for themselves the relevance of any such review and/or the information contained therein and/or the provider of such review for the purpose of any investment in such Covered Bonds. Currently, only some of the providers of such external reviews are subject to existing professional standards and/or subject to regulatory regimes.

In the event that any such Covered Bonds are listed or admitted to trading on any dedicated "green", "social", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any applicable laws or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular, with regard to any direct or indirect environmental, social or sustainability impact of a relevant Eligible Project. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Covered Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Covered Bonds.

With reference to any Covered Bonds in respect of which the applicable Final Terms state that the proceeds will be used to finance or refinance, in whole or in part, Eligible Projects, while it is the intention of the Issuer to apply the amount equivalent to the net proceeds of any Covered Bonds in such a manner, there can be no assurance that the relevant Eligible Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any schedule and that accordingly such proceeds will be disbursed for the specified Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer.

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

### ***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*".

## **6. RISKS RELATED TO THE UNDERLYING**

### ***Limits to Integration***

The integration of the Cover Pool, whether through Eligible Assets or through Integration Assets, shall be carried out in accordance with the methods, and subject to the limits, set out in the BoI Regulations. More specifically, integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the MEF Decree; (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 Integration Asset including in the Cover Pool. Investors should note that integration is not allowed in circumstances other than as set out in the BoI Regulations and specified above.

### ***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 Transfer 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 a Notice to Pay is served on the Issuer and the Guarantor, but prior to the service of an Acceleration Notice, the Guarantor (also through the Servicer, pursuant the Servicing Agreement) will sell, refinance or otherwise liquidate the Eligible Assets and Integration 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 Administration 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 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 an Acceleration 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-Guarantor Event of Default 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 an Acceleration Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

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

Following the occurrence of an Issuer Event of Default, the service of a Notice to Pay 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 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 a Notice to Pay on the Issuer and on the Guarantor and accordingly it is expected (although there is no assurance) that Eligible Assets and Integration 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 Transfer 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.

### ***Law no. 3 of 27 January 2012***

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

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

Article 120-ter of the Banking Law 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 Banking Law***

Article 120-quater of the Banking Law 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](http://www.dt.tesoro.it) (for the avoidance of doubt, such website does not constitute part of this Base Prospectus) which establish the procedures that borrowers must follow in order 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 the 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.

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**”), subject to certain conditions and up to 31 December 2012, 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.

Moreover, 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.

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### ***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 (*accolti*), 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.

The legislation referred to in each subparagraph under section “*Mortgage borrower protection*” above constitutes an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required. However, as this legislation is relatively new, as at the date of this 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.

In Italy the Government has approved the Legislative Decree no. 72 of 21 April 2016, implementing the Mortgage Credit Directive and published on the Official Gazette of the Republic of Italy on 20 May 2016 (the “Mortgage Legislative Decree”).

The Mortgage Legislative Decree clarifies that the new legal framework shall apply, inter alia, to (i) residential mortgage loans and (ii) loans relating to the purchase or preservation of the property rights on a residential immovable.

Moreover such decree sets forth certain rules of correctness, diligence and transparency and information undertakings applicable to the lenders and intermediaries which offer loans to the consumers and provides that without prejudice to article 2744 of Italian civil code, the parties may expressly agree in a specific clause at the closing of a loan agreements that in case of breach of the borrower's payment obligations under the agreement (i.e. non- payment of an amount equal to eighteen loan instalments due and payable by the debtor) the transfer or the sale of the mortgaged assets has as a consequence that the entire debt is settled even if the value of the assets or the proceeds deriving from the sale of the assets is lower than the remaining amount due by the debtor in relation to the loan. Otherwise if the estimated value of the assets or the proceeds deriving from the sale of the assets is higher than the remaining amount due by the debtor, the excess amount shall be returned to the consumer. According to the Mortgage Legislative Decree the Bank of Italy and the Ministry of Economy and Finance shall enact implementing provisions of such decree. In this respect, on 30 September 2016, the Bank of Italy has amended the supervisory regulations on transparency and correctness in the relationships between intermediaries and clients (*disposizioni di vigilanza in materia di trasparenza delle operazioni e dei servizi bancari e finanziari; correttezza delle relazioni tra intermediari e clienti*) of 29 July 2009, as subsequently amended, in order to implement the transparency provisions of laid down by the Mortgage Credit Directive and by the Mortgage Credit Legislative Decree, while on January 2018 the Ministry of Economy and Finance has submitted to public consultation the draft of the Interministerial Decree implementing the Mortgage Legislative Decree. The final version of the Interministerial Decree has not yet been published

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

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

## **7. RISKS RELATED TO THE GUARANTOR AND THE GUARANTEE**

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

Following service of a Notice to Pay 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 CB 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 CB 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 Post-Issuer Event of Default Priority of Payments or the Post-Guarantor Event of Default 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 an Acceleration 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 an

Acceleration Notice, the amounts due from the Guarantor shall be applied by the Representative of the Covered Bondholders in accordance with the Post-Guarantor Event of Default Priority of Payments, and Covered Bondholders will receive amounts from the Guarantor on an accelerated basis. If an Acceleration Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

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

Following the occurrence of an Issuer Event of Default and service of a Notice to Pay 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 amount of interest and principal generated by the Portfolio and/or the Eligible Investments and the timing thereof and (b) amounts received from any Covered Bond Swap Counterparty. 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.

There is no guarantee that the Issuer will have sufficient funds to pay that 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 Covered Bond Swap Counterparty 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, with the assistance of the Back-Up Servicer Facilitator, 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 have any 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 Covered Bond Swap Counterparty***

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 Swap Agreement with one or more Covered Bond Swap Counterparty.

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 Covered Bond Swap Counterparty, 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 Covered Bond Swap Counterparty 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 Covered Bond Swap Counterparty 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 Covered Bond Swap Counterparty 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 Agreement, the Guarantor may be exposed to changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest. In addition, subject to the then current ratings of the Covered Bonds not being adversely affected, the Guarantor may 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 Covered Bond Swap Counterparty. 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 Agreement may provide that notwithstanding the downgrading of a Swap Agreement and the failure by such Swap Agreement 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 a Notice to Pay, rank *pari passu* and *pro rata* with amounts due to Covered Bondholders under the Covered Bond Guarantee.

Following the service of a Notice to Pay, payments by the Guarantor under the Swap Agreement, including any termination payment due and payable by the Guarantor except where the relevant Covered Bond Swap Counterparty 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.

***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.

***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 a Notice to Pay in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Post-Issuer Event of Default Priority of Payments and as described in Conditions 7(b) (*Extension of maturity*) and 10(b) (*Effect of a Notice to Pay*). 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 CB 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 CB 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 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.



### ***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.

## **8. RISKS RELATED TO THE OFFER TO THE PUBLIC AND ADMISSION OF THE COVERED BONDS TO TRADING ON A REGULATED MARKET**

### ***Limited secondary market***

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, offered to any persons or entities in the United States of America or registered under any securities laws and are subject to certain restrictions on the resale and other 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.

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

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

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

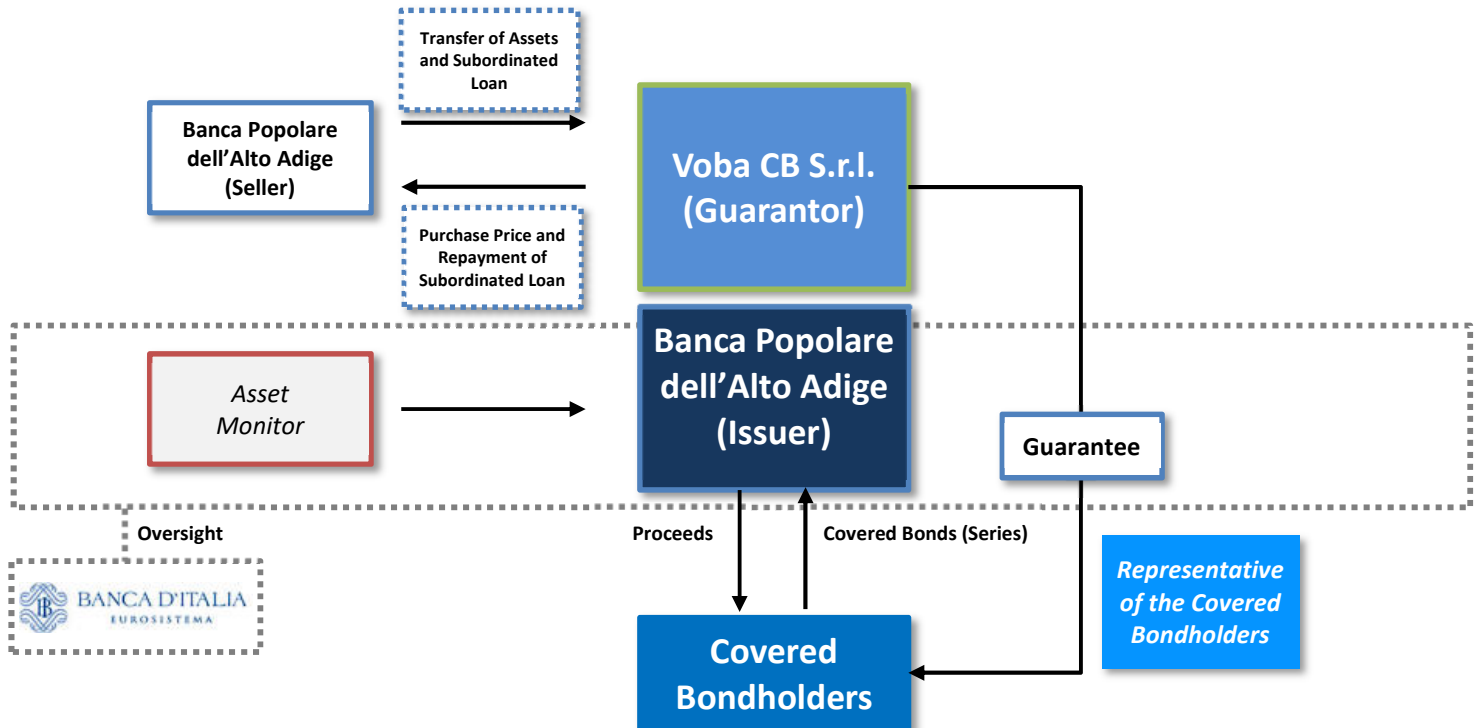
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may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

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

## 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



## 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 audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2017, together with the accompanying notes and auditors' report;
- (b) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2018, together with the accompanying notes and auditors' report;
- (c) Issuer's unaudited interim condensed non-consolidated financial statements and the relevant review report as at and for the six months ended on 30 June 2019;

The table below sets out the relevant page references for, *inter alia* (i) the notes, the balance sheet, the income statement and the accounting policies relating to the condensed interim non-consolidated financial statements of the Issuer as at and for six months ended 30 June 2019; and (ii) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the non-consolidated financial statements of the Issuer for the years ended on and as at 31 December 2017 and 2018.

The audited non-consolidated financial statements 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 is 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 Issuer's Reports and Accounts incorporated by reference into this Base Prospectus may be obtained from the registered office of the Issuer and on the following pages:

- (a) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2017, together with the accompanying notes and auditors' report: [https://www.volksbank.it/documents/20147/294152/financialreport\\_svb\\_2017.pdf/8233e1cd-e71c-c960-c2c6-498d030716a4](https://www.volksbank.it/documents/20147/294152/financialreport_svb_2017.pdf/8233e1cd-e71c-c960-c2c6-498d030716a4);
- (b) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2018, together with the accompanying notes and auditors' report: [https://www.volksbank.it/documents/20147/340381/Financial\\_report\\_2018.pdf/1c0efd74-aaa3-c55a-04d1-5e4f94d114be](https://www.volksbank.it/documents/20147/340381/Financial_report_2018.pdf/1c0efd74-aaa3-c55a-04d1-5e4f94d114be);
- (c) Issuer's unaudited interim condensed non-consolidated financial statements and the relevant review report as at and for the six months ended on 30 June 2019: [https://www.volksbank.it/documents/20147/340381/1171170v-uk-lf-Volksbank+RelazioneFinSem\\_201906\\_v5.0+ENG.pdf/671808bd-d28f-07a2-99d5-7ab5535c1199](https://www.volksbank.it/documents/20147/340381/1171170v-uk-lf-Volksbank+RelazioneFinSem_201906_v5.0+ENG.pdf/671808bd-d28f-07a2-99d5-7ab5535c1199).

This Base Prospectus and the documents incorporated by reference will also be available on the Luxembourg Stock Exchange's web site (<http://www.bourse.lu>).

### Cross-reference List

The following table shows, *inter alia*, the information required under Annex 7 of Commission Delegated Regulation (EU) No. 980/2019 that can be found in the above-mentioned financial statements incorporated by reference into this Base Prospectus.

### Issuer's Reports and Accounts

#### Audited Annual Financial Statements

	2018	2017
<i>Non-consolidated</i>	<i>(pdf document page numbers)</i>	<i>(pdf document page numbers)</i>
Balance sheet	125	175
Statement of income	126	176
Statement of changes in equity	128	177
Cash flow statement	129	178
Accounting policies and explanatory notes	131-340	181-398
Independent Auditors' report	113-122	163-170

#### Unaudited interim condensed financial statement of the Issuer as at and for the six months ended on 30 June 2019

	30 June 2019
<i>Non-consolidated</i>	<i>(pdf document page numbers)</i>
Balance sheet	45
Statement of income	46
Statement of changes in equity	48-49
Cash flow statement	50
Accounting policies and explanatory notes	51-92
Independent Auditors' report	127-128

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 Commission Delegated Regulation (EU) No. 980/2019.

### 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 or on the Professional Segment of 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 Bonds 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 (i) the provisions of Article 83-bis et seq. of the Financial Law and the relevant implementing regulations and (ii) the regulation issued by the Bank of Italy and the Commissione Nazionale per le Società e la Borsa on 13 August 2018, as subsequently amended and supplemented.*

*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 dell'Alto Adige S.p.A. ("**BPAA**" or the "**Issuer**") has established a Covered Bond Programme (the "**Programme**") for the issuance of up to Euro 3,000,000,000 in aggregate principal amount of covered bonds (the "**Covered Bonds**") guaranteed by VOBA CB S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-bis of Law No. 130 of 30 April 1999, as amended and supplemented from time to time (the "**Law 130**"), Ministerial MEF Decree of the Ministry for the Economy and Finance of 14 December 2006, as amended and supplemented from time to time ("**MEF Decree**") and the supervisory guidelines of the Bank of Italy set out in Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (Circolare No. 285 of 17 December 2013), as replaced, amended and supplemented from time to time. (the "**BoI Regulations**").

#### (b) Final Terms

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

#### (c) Covered Bond Guarantee

Each Series of Covered Bonds is the subject of a guarantee dated on or about 8 October 2019 (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 Transfer Agreement (as defined below) and in accordance with the provisions of the Law 130, MEF Decree and the BoI Regulations.

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

In respect of each Series or Tranche of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the issue price specified in the Final Terms for the Covered Bonds on the Issue Date under the terms of a programme agreement dated on or about 8 October 2019 (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) ***Master Definitions Agreement***

In a master definitions agreement dated on or about 8 October 2019 (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.

(f) ***The Covered Bonds***

Except where stated otherwise, all subsequent references in these Conditions to "**Covered Bonds**" are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to "**each Series 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.

(g) ***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.

(h) ***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**

(a) ***Definitions***

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

"**Acceleration 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.



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

"**Account Bank Report Date**" means the date falling on the first Business Day of each month.

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

"**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 Administration 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 Administration Agreement in order to ensure, inter alia, that, on each Test Calculation Date following the delivery of a Notice to Pay (but prior to the service to the Guarantor of an Acceleration Notice), the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate principal amount of the 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 Administration Agreement.

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

"**Article 74 Event Cure Notice**" means the notice to be served by the Representative of the Covered Bondholders to the Issuer, 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 Initial Issue Date between, *inter alios*, the Asset Monitor and the Issuer.

"**Available Funds**" means, collectively, (a) the Interest Available Funds, (b) the Principal Available Funds and (c) the Excess Proceeds provided that the Available Funds do not include the Swap Collateral.

"**Banking Law**" means Legislative Decree No. 385 of 1 September 1993, 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 Loan Provider 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.

**“BoI Regulations”** means the supervisory guidelines of the Bank of Italy set out in Part III, Chapter 3 of the *“Disposizioni di vigilanza per le banche”* (Circolare No. 285 of 17 December 2013), as replaced, amended and supplemented from time to time.

**“BPAA Group”** means jointly the banks and the other companies belonging from time to time to the Banca Popolare dell’Alto Adige S.p.A. banking group registered with the Bank of Italy pursuant to Article 64 of the Banking Law.

**“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;

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

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"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 Administration Agreement.

**"Cash, Management and Agency Agreement"** means the cash, management and agency agreement, entered into on or about 8 October 2019 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.

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

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

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

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

**"Collateral 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 Mortgage Loan Agreement.

**"Collection Account"** means the Euro denominated account established in the name of the Guarantor with the Account Bank, IBAN IT 71 P 03479 01600 000802318400, or such other substitute account as may be opened in accordance with the Cash, Management and Agency Agreement.

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

**"Collection Period"** means each period from (but excluding) a Collection Date to (and including) the following Collection Date or, in respect of the first Collection Period, the period from (and including) the Valuation Date of the transfer of the Initial Portfolio to (and including) the Collection Date of December 2019.

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

"**Commission Delegated Regulation No. 979/2019**" means the Commission Delegated Regulation (UE) No. 979/2019 of 14 March 2019, implementing the Prospectus Regulation, as supplemented and amended from time to time.

"**Commission Delegated Regulation No. 980/2019**" means the Commission Delegated Regulation (UE) No. 980/2019 of 14 March 2019, implementing the Prospectus Regulation, 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*.

"**Corporate Services Agreement**" means the corporate services agreement entered into on or about 8 October 2019, 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 Law 130, MEF Decree and the BoI Regulations.

"**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 Swap Counterparty**" means any institution which agrees to act as covered bond swap counterparty to the Guarantor under any Swap Agreement or other hedging agreements, if any, aimed at hedging certain interest rate risks and/or, if applicable, currency exposures in relation to the Guarantor's obligations under the Covered Bonds, that may be entered into between the Guarantor and the relevant Covered Bond Swap Counterparty.

"**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*).

"**Cover Pool**" means the cover pool constituted by, collectively, any Eligible Assets and Integration Assets held by the Guarantor in accordance with the provisions of the Law 130, the MEF Decree and the BoI Regulations.

"**Cover Pool Administration Agreement**" means the cover pool administration agreement entered into on or about 8 October 2019 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.

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

"**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.

“**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:

- "Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

- "D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and
- "D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;
- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

- "Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and
- "D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and
- (vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

- "Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

"**Dealer(s)**" means Società Generale, Unicredit Bank AG, Erste Group Bank AG 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 No. 239**" means Italian Legislative Decree number 239 of 1 April 1996;

"**Deed of Pledge**" means the Italian law deed of pledge entered into on or about 8 October 2019 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 a Receivable arising from a Mortgage Loan Agreement included in the Cover Pool 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 Receivable**" means any Receivable arising from Mortgage Loan Agreements included in the Cover Pool 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 or such other amount as may be specified in, or determined in accordance with, these Conditions.

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

**“Eligible Assets”** means the Mortgage Loans.

**“Eligible Deposits”** means deposits held with banks having their registered office in Eligible States pursuant to Article 2, paragraph 3, of the MEF Decree.

**“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 or (ii) whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least “A” by Fitch or in case of Account Bank the Deposit Rating (if any) is 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 Liquidation 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, or in the absence of a Fitch rating, rated at least at the level equivalent to Fitch’s ‘AA-’ or ‘F1+’ by at least one other internationally recognised and regulatory approved rating agency, if the relevant maturity is up to the earlier of the next Liquidation 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 Liquidation Date and 365 calendar days; or 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 Liquidation 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 Liquidation 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 States”** means any States belonging to the European Economic Space, Switzerland and any other State attracting a zero per cent. risk weight factor under the “Standardised Approach” provided for by



Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions.

“**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 Administration 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 Proceeds**” means the amounts received by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree.

“**Excluded Swap Termination Amount**” means any termination payment due and payable by the Guarantor to a Covered Bond Swap Counterparty, where the Covered Bond Swap Counterparty is the Defaulting Party or the sole Affected Party pursuant to the relevant Swap Agreement.

“**Expense Required Amount**” means Euro 40,000.00.

“**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 Account Bank, IBAN IT 48 Q 03479 01600 000802318401, or such other substitute account as may be opened in accordance with the Cash, Management and Agency Agreement.

“**Expiry Date**” means the date falling 1 (one) year and 1 (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 the date falling 7 Business Days after the expiry of the Maturity Date of the relevant Tranche or 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 Redemption Amount**” means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

“**Final Terms**” means, in relation to any issue of any Series or Tranche 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 or Tranche of Covered Bonds.

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

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

“**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.

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

“**Guarantor Calculation Date**” means both prior to and after the delivery of an Acceleration Notice, the date falling on the fourth Business Day immediately preceding each Guarantor Payment Date.

“**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, Management and Agency Agreement.

“**Guarantor Payment Date**” means (a) prior to the delivery of an Acceleration Notice, the 27<sup>th</sup> day of each month of January, April, July and October, or if that day is not a Business Day, the immediately following Business Day; the first Guarantor Payment Date will fall in January 2020; and (b) following the delivery of an Acceleration Notice, any day on which any payment is required to be made by the Representative of the Covered Bondholders in accordance with the Post-Guarantor Event of Default 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 02 S 03479 01600 000802318403 or such other substitute account as may be opened in accordance with the Cash, Management and Agency 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 Issue Date**” means the date on which the Issuer will issue the first Series of Covered Bonds.

**“Initial Portfolio”** means the portfolio of Initial Receivables purchased by the Guarantor from the Seller pursuant to the Master Transfer Agreement.

**“Initial Receivables”** means the initial Receivables comprising certain Eligible Assets included in the Initial Portfolio.

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

- (i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, *"fallimento"*, *"liquidazione coatta amministrativa"*, *"concordato preventivo"* 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, division, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the 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 Banking Law); or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the 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 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.

**"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;

**"Instalment Extension Determination Date"** means, with respect to any Covered Bond Instalment Date, the date falling 2 Business Days after the expiry of seven days from (and including) such Covered Bond Instalment Date;

**"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.

**"Integration Assets"** means, in accordance with the provisions of the MEF Decree and the BoI Regulations:

- (i) Eligible Deposits; and
- (ii) securities issued by banks residing in Eligible States (as defined below) with residual maturity not longer than one year, in each case, meeting the requirements set out in the definition of Eligible Investments.

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

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

**"Interest Available Funds"** means, on each Guarantor Payment Date, the aggregate of:

- (a) any interest collected by the Servicer in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (b) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;
- (c) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) any amounts other than in respect of principal received under the Swap Agreements (other than any Swap Collateral);
- (f) any swap termination payments received from a Covered Bond Swap Counterparty under a Swap Agreement, provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a Replacement Covered Bond Swap Counterparty to enter into a Replacement Swap Agreement, unless a Replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;
- (g) prior to the service of a Notice to Pay on the Guarantor amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount and following the service of a Notice to Pay on the Guarantor, any amounts standing to the credit of the Reserve Account;

- (h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (i) the interest amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period.

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

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

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

“**Interest Instalment**” means the interest component of each Instalment.

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

“**Investor 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.

“**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 dell’Alto Adige S.p.A., acting in its capacity as issuer pursuant to the Programme Agreement.

“**Issuer Downgrading Event**” means the Issuer being downgraded below “BBB” or “F2” by the Rating Agency.

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

“**Issuer’s Investor Report**” means the investor report provided by the Test Calculation Agent in accordance with the Cash Management and Agency Agreement.

“**Issuer’s Investor Report Date**” means the date which falls six Business Days prior to the Guarantor Payment Date falling in January and July of each year, it being understood that the first Issuer’s Investors Report Date will be on 20 January 2020.

“**Issuer Paying Agent**” means BPAA, acting in its capacity as issuer paying agent, or any such other institution as may be appointed pursuant to the Cash Management and Agency Agreement.

“**Joint Arrangers**” means Unicredit Bank AG, Société Générale and FISG.

“**Liquidation Date**” means the fifth Business Days before each Guarantor Payment Date.

“**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 in accordance with the BoI Regulations and any other applicable prudential regulation.

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

"**Mandate Agreement**" means the mandate agreement entered into on or about 8 October 2019 between the Representative of the Covered Bondholders and the Guarantor.

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

"**Master Transfer Agreement**" means the master transfer agreement entered into on 1 October 2019 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.

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

"**MEF Decree**" means the ministerial MEF Decree of 14 December 2006 issued by the Ministry of the Economy and Finance, as amended and supplemented from time to time.

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

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

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

"**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 an Acceleration Notice, the date falling on the 12<sup>th</sup> 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 an Acceleration Notice, such date as may be indicated by the Representative of the Covered Bondholders.

"**Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of MEF Decree, any residential mortgage loan which has 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.

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

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

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of a 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 Administration Agreement.

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

“**New Portfolio**” means any portfolio of Receivables (other than the Initial Portfolio), comprising Eligible Assets and Integration Assets, which may be purchased by the Guarantor from the Seller pursuant to the terms and subject to the conditions of the Master Transfer Agreement.

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

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

“**Notice to Pay**” has the meaning ascribed to such term in Condition 10(a) (*Issuer Events of Default*).

“**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 2 (two) Business Days prior to each Transfer Date, pursuant to clause 3.1 (*Offerta*) of the Master Transfer 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 or such other amount as may be specified in, or determined in accordance with, the Conditions.

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

“**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 Loan Provider, 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 Covered Bond Swap Counterparty, 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, 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 or any other asset included in the Cover Pool, the aggregate nominal principal amount outstanding of such loan 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, Management and Agency Agreement on each Guarantor 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 Transfer Agreement.

**"Portfolio Manager"** means the entity appointed as such in accordance with clause 5.6 (*Portfolio Manager*) of the Cover Pool Administration Agreement.

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

**"Post-Guarantor Event of Default Priority of Payments"** means the order of priority pursuant to which the Available Funds shall be applied on each Guarantor Payment Date, following the delivery of an Acceleration 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 on each other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement.



**"Pre-Issuer Event of Default Interest Priority of Payments"** means the order of priority pursuant to which the Interest Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Notice to Pay 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 a Notice to Pay 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 Guarantor Payment Date, the aggregate of:

- (j) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (k) all other recoveries in the nature of principal collected by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (l) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the relevant Guarantor Payment Date;
- (m) without duplication with other items of this definition, all principal proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;
- (n) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;
- (o) all amounts in respect of principal (if any) received under any Swap Agreement (other than the Swap Collateral);
- (p) any amounts to be transferred pursuant to item (vi) of the Pre-Issuer Event of Default Interest Priority of Payments;
- (q) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (r) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period;
- (s) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts.

**"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 Post-Issuer Event of Default Priority of Payments and the Post-Guarantor Event of Default Priority of Payments.

**“Privacy Code”** means the Legislative Decree no. 196 of 30 June 2003 (*Codice in materia di protezione dei dati personali*) as amended and integrated from time to time.

**“Privacy Law”** (*Normativa sulla Tutela della Riservatezza*) means the privacy Code, the (i) the Reg. (EU) 2016/679 (the **“GDPR”**), (ii) the Privacy Code; and (iii) any other related regulation and/or provision in force from time to time.

**“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 Law 130.

**“Programme Agreement”** means the programme agreement entered into on or about 8 October 2019 between, *inter alios*, the Guarantor, the Seller, the Issuer, the Representative of the Covered Bondholders and the Dealers.

**“Programme Amount”** means €3,000,000,000.

**“Programme Documents”** means the Master Transfer Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash, Management and Agency Agreement, the Programme Agreement, each Subscription Agreement, the Cover Pool Administration Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements (if any), the Mandate Agreement, the Quotaholders' Agreement, the Conditions, each Final Terms, 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 Regulation”** means EU Regulation 2017/1129.

**“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.

**“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 Transfer 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, Management and Agency Agreement, or such other form which may, from time to time, be agreed between the Issuer and the Issuer Paying Agent or the 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**” means each of Stichting Urano and Banca Popolare dell’Alto Adige S.p.A..

“**Quotaholders' Agreement**” means the agreement entered into on or about 8 October 2019 between Banca Popolare dell’Alto Adige S.p.A., Stichting Urano, the Guarantor and the Representative of the Covered Bondholders;

“**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 Banca Monte dei Paschi di Siena S.p.A., IBAN IT 72 D 01030 61622 000001835807 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 a “**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 Valuation 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 and the Integration Assets, including penalties and any other amount due to the Seller in the case of prepayments of the Mortgage Loans, and to the guarantees and insurances related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in connection with the collection and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Valuation Date;
- (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.

“**Records**” means the records prepared pursuant to clause 10.1 (*Duty to maintain Records*) of the Cash, Management and Agency 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 or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the Conditions.

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

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

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the 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 Series or 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 Series or 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 Conditions and the Final Terms of each Series of Covered Bonds.

"**Required Reserve Amount**" means, on each Guarantor Payment Date, an amount calculated by the Guarantor Calculation Agent as being 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 Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the net amount due to the Covered Bond Swap Counterparty or the amount due to the Covered Bondholders of such Series, (b) if Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due to the Covered Bondholders of such Series and (c) if 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 Swap Agreement, the higher of the net amount due to the Covered Bond Swap Counterparty 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 to the Covered Bondholders of such Series in each case as calculated by the Guarantor Calculation Agent on or prior to each Guarantor Calculation Date, *plus* (B) prior to the service of a Notice to Pay, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Date following the relevant Guarantor Calculation Date in respect of the items (*First*) to (*Third*) (each inclusive) of the Pre- Issuer Event of Default Interest Priority of Payments; *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.

"**Reserve Account**" means the Euro denominated account established in the name of the Guarantor with the Account Bank IBAN IT 25 R 03479 01600 000802318402, or such other substitute account as may be opened in accordance with the Cash Management and Agency Agreement.

"**Reserve Fund**" means means any amounts standing to the credit of the Reserve Account up to the Required Reserve Amount.

"**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 Loan Provider, 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, the Covered Bond Swap Counterparty, 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 Integration 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.

“**Law 130**” 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.

“**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 Banca Popolare dell’Alto Adige S.p.A. pursuant to the Master Transfer Agreement.

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

“**Servicer**” means Banca Popolare dell’Alto Adige S.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 1 October 2019 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:

- (i) the Account Bank and Guarantor Paying Agent, Piazza Lina Bo Bardi 3, Milan,
- (ii) the Cash Manager, Test Calculation Agent and Issuer Paying Agent, Via del Macello, 55, Bolzano, Italy, and
- (iii) 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 MEF Decree and namely: (i) the Nominal Value Test, (ii) the Net Present Value Test and (iii) the Interest Coverage Test.

“**Stock Exchange**” means the Luxembourg Stock Exchange.

“**Subordinated Loan Provider**” means the Seller, in its capacity as Subordinated Loan Provider pursuant to the Subordinated Loan Agreement.

“**Subordinated Loan Agreement**” means the subordinated loan agreement entered into between the Subordinated Loan Provider 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 in Article 2359 of the Italian Civil Code.

“**Suspension Period**” means the period of time following an Article 74 Event.

“**Swap Agreements**” means any swap agreement or other hedging agreements, if any, aimed at hedging certain interest rate risks and/or, if applicable, currency exposures in relation to the Guarantor’s obligations under the Covered Bonds, that may be entered into between the Guarantor and the relevant Covered Bond Swap Counterparty.

“**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 Covered Bond Swap Counterparty 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 Agreements and (vi) modifying this definition.

“**Swap Collateral**” means the collateral which may be transferred by the Covered Bond Swap Counterparty 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 that may be opened in the name of the Guarantor with the Account Bank or such other substitute account as may be opened in accordance with the Cash, Management and Agency Agreement.

“**Swap Collateral Excluded Amounts**” means, at any time, cash and/or securities equivalent of the same type, nominal value and description as the Swap Collateral which is to be transferred back by the Guarantor to the Covered Bond Swap Counterparty from time to time in accordance with the terms of the Swap Agreements.

“**Swap Collateral Securities Account**” means the Euro denominated account that may be opened in the name of the Guarantor with the Account Bank or such other substitute account as may be opened in accordance with the Cash, Management and Agency Agreement.

“**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 subdivision thereof or any authority thereof or therein.

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

“**Test Calculation Agent**” means Banca Popolare dell’Alto Adige S.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, Management and Agency Agreement.

“**Test Calculation Date**” means both prior to and after the delivery of an Acceleration Notice, the date falling on the fifth Business Day immediately preceding each Guarantor Payment Date .

“**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.

“**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 Transfer Agreement.

“**Transfer Date**” means: (a) with respect to the Initial Portfolio, 1 October 2019; 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 Transfer Agreement.

“**Treaty**” means the treaty establishing the European Community.

“**Valuation Date**” means, with reference to the Initial Portfolio, 1 September 2019, and with reference to the New Portfolios, the date designated as such in the relevant Transfer Notice

“**Warranty and Indemnity Agreement**” means each warranty and indemnity agreement entered into on 1 October 2019 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 Transaction Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;
- (v) any reference to a party to a 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 the Financial Law, 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 (i) the provisions of Article 83-*bis* et seq. of the Financial Law and the relevant implementing regulations and (ii) the regulation issued by the Bank of Italy and the CONSOB on 13 August 2018, as subsequently amended and supplemented. 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 CB Payment Date, subject as provided in Condition 8 (*Payments*) up to (and excluding) the Maturity Date or, as the case may be, the Extended Maturity Date. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 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 CB Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

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

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

**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 CB Payment Date, subject as provided in Condition 8 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the 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 CB Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the 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 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 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 Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the 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 CB Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant CB Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such CB Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the 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 CB Interest Period, the Rate of Interest applicable to the Covered Bonds during such CB Interest Period will be the sum of the Margin and the rate or (as the case may be) the

arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding CB Interest Period.

**(d) ISDA Determination**

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each CB Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any CB Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as 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 CB Interest Period or (B) in any other case, as specified in the relevant Final Terms.

**(e) Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

**(f) Calculation of Interest Amount**

The 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 CB Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such CB Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such CB Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub unit**" means, in the case of any 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 CB Payment Date, and any other amount(s) required

to be determined by it together with any relevant payment date(s) to be notified to the Issuer and the 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 CB Payment Date) in any event not later than the first day of the relevant CB Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The 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 CB 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) ***Certificates to be final***

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 Calculation 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.

(j) ***Benchmark Replacement***

In addition, notwithstanding the provisions above in this Condition 6 (*Floating Rate Provisions*), if the Issuer or the Calculation Agent determines that the relevant Reference Rate specified in the relevant Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer), no later than 5 Business Days prior to the relevant Interest Determination Date relating to the next succeeding CB Interest Period (the “**Relevant Interest Determination Date**”), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Covered Bonds;
- (ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the Relevant Interest Determination Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future CB Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(j) (*Benchmark Replacement*)); provided, however, that if sub-paragraph (ii) applies and the

Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant CB Payment Date, the Rate of Interest applicable to the next succeeding CB Interest Period (as applicable) shall be equal to the Rate of Interest last determined in relation to the Covered Bonds in respect of the preceding CB Interest Period (or alternatively, if there has not been a first CB Payment Date, the rate of interest shall be the Rate of Interest specified in the relevant Final Terms) (subject, where applicable, to substituting the Margin that applied to such preceding CB Interest Period for the Margin that is to be applied to the relevant CB Interest Period); for the avoidance of doubt, the provision in this sub-paragraph (iii) shall apply to the relevant CB Interest Period only and any subsequent CB Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(j) (*Benchmark Replacement*));

- (iv) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions and, including but not limited to, the definition of Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Covered Bonds, and the method for determining the fallback rate in relation to the Covered Bonds, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. Covered Bondholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes; and
- (v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Agents and the Covered Bondholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to the Conditions.

For the purposes of this Condition 6(j) (*Benchmark Replacement*):

“**Adjustment Spread**” means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Covered Bondholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international covered bonds transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

“**Alternative Reference Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international bond markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant CB Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate;

“**Independent Adviser**” means an independent financial institution of international repute or other independent financial adviser experienced in the international bond markets, in each case appointed by the Issuer at its own expense;

“**Relevant Nominating Body**” means, in respect of a reference rate:

- (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities; and

“**Successor Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

**(k) Benchmark Replacement Modifications**

Notwithstanding the provisions of Title II (*Meetings of the Covered Bondholders*) of the Rules of the Organisation of Covered Bondholders, but subject as provided in the next following paragraph, the Representative of the Covered Bondholders shall be obliged, without any consent or sanction of the Covered Bondholders or any of the Issuer Secured Creditors, to concur with the Issuer in making any modification to these Conditions or any other Transaction Document to which it is a party or in relation to which it holds security or entering into any new, supplemental or additional documents that the Issuer certifies to the Representative of the Covered Bondholders is considered by the Issuer necessary or advisable for the purpose of changing the Reference Rate to a Successor Rate or Alternative Reference Rate in accordance with Condition 6(j) (such certification being a “**Benchmark Rate Modification Certificate**”).

When implementing any modification pursuant to this Condition 6(k) (*Benchmark Replacement Modifications*), (i) the Representative of the Covered Bondholders shall not consider the interests of the Covered Bondholders, any other Issuer Secured Creditor or any other person and shall act and rely solely and without further investigation, on any Benchmark Rate Modification Certificate and shall not be liable to the Covered Bondholders, any other Issuer Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and (ii) the Representative of the Covered Bondholders shall not be obliged to agree to any modification which, in the sole opinion of the Representative of the Covered Bondholders would have the effect of (A) exposing the Representative of the Covered Bondholders to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (B) increasing the obligations or duties, or decreasing the rights or protection, of the Representative of the Covered Bondholders in the Programme Documents and/or these Conditions.

## **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 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 CB 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 17 (*Notices*), any relevant Covered Bond Swap Counterparty 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 CB Payment Date during such extended period up to (and including) the Extended Maturity Date or, if earlier, the CB 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 CB Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Covered Bondholders (which notice shall be irrevocable), at their Early Redemption Amount (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 CB Payment Date, 60 days prior to the CB Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the 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(i) (*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 an Instalment Amount on the applicable Covered Bond Instalment Date specified in the relevant Final Terms and the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to such Instalment Amount in full on the applicable Instalment Extension Determination Date, then (subject as provided below), payment by the Guarantor under the Covered Bond Guarantee of each of (a) such Instalment Amount and (b) all subsequently due and payable Instalment Amounts shall be deferred until the Extended Instalment Date *provided that* no Instalment Amount may be deferred to a date falling after the 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 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 Calculation Agent on its behalf, shall notify the relevant holders of the Covered Bonds (in accordance with Condition 17 (*Notices*), any relevant Covered Bond Swap Counterparty, 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 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 CB Payment Date following the applicable Instalment Extension Determination Date until the applicable Extended Instalment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) *pro rata* towards payment of an amount equal to the relevant 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 CB Payment Date from the relevant Covered Bond Instalment Date until the Extended Instalment Date or, if earlier, the date on which the deferred Instalment Amount is paid in full.

Failure by the Issuer to pay the 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 Instalment Amount on the related Extended Instalment Date will (subject to any applicable grace period) be a Guarantor Event of Default.

Each Instalment Amount may be deferred when due no more than once. At such time, each subsequent but not yet due Instalment Amount will also be deferred, so it is possible that an 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 17 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next CB Payment Date of any Covered Bond of any Series or Tranche, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such CB 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 (“**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) where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended or supplemented from time to time; or
- (iii) 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
- (iv) 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;
- (v) 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
- (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*: failure by the Issuer to pay any amount of interest and/or principal due and payable on the Covered Bonds of any Series or Tranche at their relevant Guarantor Payment Date and such breach is not remedied within the next 15 Business Days, in case of amounts of interest, or 20 Business Days (other than in case of non payment at the Maturity Date), in case of amounts of principal, as the case may be; or
- (ii) *Breach of other obligation*: breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Statutory Tests), (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or
- (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 of the Issuer has occurred; or
- (v) *Article 74*: an Article 74 Event has occurred (as defined below); or
- (vi) *Cessation of business*: the Issuer ceases to carry on its primary business (because of the loss of its banking license or otherwise); or

- (vii) *Breach of Tests*: if, following the delivery of a Breach of Test Notice, the Statutory Tests and the Asset Coverage Test are not met at, or prior to, the next Test Calculation Date unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise,

then the Representative of the Covered Bondholders may, at its sole discretion, or shall, if so directed by an Extraordinary Resolution, serve a written notice (the “**Notice to Pay**”) on the Issuer and the Guarantor declaring that an Issuer Event of Default has occurred (specifying, in case of an Article 74 Event that the Issuer Event of Default may be temporary).

**(b) Effect of a Notice to Pay:**

Upon service of a Notice to Pay upon the Issuer and the Guarantor:

- (a) each Series or Tranche of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, *provided that*
  - (A) such events shall not trigger an acceleration against the Guarantor, and
  - (B) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer;
- (b) the Guarantor will pay any amounts due under the Covered Bonds in accordance with the provisions of the Covered Bond Guarantee;
- (c) the Statutory Tests shall continue to be applied and the Amortisation Test shall be also applied;
- (d) the Guarantor shall (only if necessary in order to timely effect any payments due under the Covered Bonds) direct the Servicer to sell assets included in the Cover Pool Receivables in accordance with the provisions of the Cover Pool Administration Agreement;
- (e) no further payments to the Seller under the Subordinated Loan Agreement shall be effected until all Covered Bonds are fully repaid or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated;
- (f) no further Eligible Assets and/or Integration Assets shall be transferred from the Seller to the Guarantor pursuant to Clause 2.3.2 and 2.3.3 of the Master Transfer Agreement;
- (g) no further Covered Bonds will be issued,

*provided that*, in case of Article 74 Event, the effects listed in items from (a) to (c) above will only apply during the Suspension Period. Accordingly (A) the Guarantor, in accordance with MEF Decree, 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. The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of an Article 74 Event Cure Notice.

**(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 an Acceleration Notice upon the Guarantor, such Acceleration Notice will accelerate each Series of outstanding Covered Bonds issued under the Programme.

**(d) Guarantor Events of Default**

Following an Issuer Event of Default and the service of a Notice to Pay, if any of the following events (each, a "**Guarantor Event of Default**") occurs and is continuing:

- (i) *Non-payment*: failure by the Guarantor 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, it being understood that, for the avoidance of doubt, with reference to the failure by the Guarantor to pay any principal due at the Maturity Date, no Guarantor Event of Default shall occur should an Extended Maturity Date have been specified as applicable in the relevant Final Terms; or
- (ii) *Breach of Amortisation Test*: breach of the Amortisation Test on any Test Calculation Date (*provided that*, in case of an Issuer Event of Default consisting in an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 Event Cure Notice); or
- (iii) *Breach of other obligation*: breach by the Guarantor of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the tests), (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or
- (iv) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; 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 serve a notice on the Guarantor (the "**Acceleration Notice**") that a Guarantor Event of Default has occurred, unless an Extraordinary Resolution is passed resolving otherwise.

**(e) Effect of an Acceleration Notice:**

Upon service of an Acceleration 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 and will rank pari passu among themselves in accordance with Post-Guarantor Event of Default Priority of Payments;
- (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



Redemption Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 9(a) (*Gross up*)) 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 Administration 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;
- (v) *No further purchase*: no further Eligible Assets and/or Integration Assets shall be transferred from the Seller to the Guarantor pursuant to the Master Transfer Agreement.

**(f) *Guarantor cross-default***

Where a Guarantor Event of Default occurs, the Representative of the Covered Bondholders will serve on the Guarantor an Acceleration 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) *Certificates to be final***

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.

**14. Agents**

In acting under the Cash, Management and Agency 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 a Notice to Pay or an Acceleration 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 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 Calculation Agent, *provided, however, that:*

- (i) the Issuer and the Guarantor shall at all times maintain an Issuer Paying Agent or a 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 Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a 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.

**15. 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.

**16. 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 Law 130, MEF Decree and the BoI Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets 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.

## **17. Notices**

### **(a) *Notices given through Monte Titoli***

Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

### **(b) *Notices through Luxembourg Stock Exchange***

Any notice regarding the Covered Bonds, as long as the Covered Bonds are admitted to trading on the regulated market or on the Professional Segment of 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](http://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 is 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.

## **18. Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## **19. Governing Law and Jurisdiction**

### **(a) *Governing law***

These Covered Bonds 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, 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 Law 130 and, if applicable, Article 58 of the Banking Law, the BoI Regulations and MEF Decree.

# RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

## TITLE I

### GENERAL PROVISIONS

#### 1. GENERAL

- 1.1. The Organisation of the Covered Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Banca Popolare di dell'Alto Adige S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the 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*) of the Rules of the Organisation of the Covered Bondholders;

"**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.

"**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.

"**Ordinary Resolution**" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50 per cent. of the votes cast.

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules to direct the Representative of the Covered Bondholders to take action: (i) pursuant to Condition 10(d)(iii) (*Guarantor Event of Default – Breach of other obligation*), or (ii) pursuant to Condition 10(e)(iv) (*Effect of an Acceleration Notice – Enforcement*) or (iii) to appoint or remove the Representative of the Covered Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) of the Rules of the Organisation of the Covered Bondholders; or (iv) 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 by the Bank of Italy and the CONSOB on 13 August 2018, as subsequently amended and supplemented; 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 24 (*Meetings and Separate Series*) and Articles 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*) shall apply mutatis mutandis separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

- 2.3.1.** Articles 26 (*Appointment, Removal and 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 24 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 36 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "**Covered Bonds**" and "**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 by the Bank of Italy and the CONSOB on 13 August 2018, as subsequently amended and supplemented; 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 holder proposing the requisition. 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.

Meetings may be held in case Voters are located in different places and are connected via audio-conference or video-conference, provided that:

- (a) the Chairman can ascertain and verify the identity and legitimacy of those Voters, monitor the Meeting, acknowledge and announce to those Voters the outcome of the voting process;
- (b) the person drawing up the minutes can clearly hear the meeting events being the subject-matter of the minutes;
- (c) each Voter attending via audio-conference or video-conference can follow and intervene in the discussions and vote the items on the agenda in real time;
- (d) the notice of the Meeting expressly states, where applicable, how Voters may obtain the information necessary to attend the relevant Meeting via audio-conference and/or videoconference equipment.

For the avoidance of doubt, the Meeting is deemed to take place where the Chairman and the person drawing up the minutes will be.

## **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 regulation issued by the Bank of Italy and the CONSOB on 13 August 2018, as subsequently amended and supplemented, 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 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
- 9.1.2.** 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 31.5 (*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 (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 90 (ninety) 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:

- (i) Voters;
- (ii) the directors and the auditors of the Issuer and the Guarantor;
- (iii) representatives of the Issuer, the Guarantor and the Representative of the Covered Bondholders;
- (iv) financial advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders;
- (v) legal advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders; and
- (vi) 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 a Notice to Pay as a result of an Event of Default pursuant to Condition 10(a) (*Issuer Event of Default*) or an Acceleration Notice as a result of a Guarantor Event of Default pursuant to Condition 10(d) (*Guarantor Events 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 (i) pursuant to Condition 10(d)(iii) (*Guarantor Event of Default – Breach of other obligation*) or (ii) pursuant to Condition 10(e)(iv) (*Effect of an Acceleration Notice – Enforcement*) or (iii) to appoint or remove the Representative of the Covered Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or (iv) 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 16 (*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/its rights under the Covered Bond Guarantee (hereinafter, a "**Claiming Covered Bondholder**"), then such Claiming Covered Bondholder intending to enforce his/her/its rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her/its intention. The Representative of the Covered Bondholders shall inform the other Covered Bondholders in accordance with Condition 17 (*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 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 by the Bank of Italy and the CONSOB on 13 August 2018, as subsequently amended and supplemented, 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 Covered Bond Swap Counterparty. The Covered Bond Swap Counterparty 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 17 (*Notices*) as soon as practicable thereafter.

### **31.4. Establishing an error**

In establishing whether an error has occurred as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to any of the following:

- 31.4.1.** a certificate from the Joint 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 17 (*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 ACCELERATION NOTICE**

### **36. POWERS TO ACT ON BEHALF OF THE GUARANTOR**

It is hereby acknowledged that, upon service of an Acceleration Notice or, prior to service of an Acceleration Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the 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.*

**[PRIIPs Regulation / PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (UE) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded the “**PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**)[MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

**Final Terms dated [●]**

**Banca Popolare dell’Alto Adige S.p.A.**

**Issue of [Aggregate Nominal Amount of Series or Tranche] [Description] Covered Bonds due [Maturity Date]**

**Guaranteed by**

**VOBA CB S.r.l.**

**under the Euro 3,000,000,000 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 8 October 2019 [and the supplement[s] to the base prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Regulation 2017/1129 (as amended from time to time the “**Prospectus Regulation**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8.2 (a) of the Prospectus Regulation. 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 be consolidated and form a single Series [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. (i) 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: [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)
- (ii) Extended Instalment Date: [Not Applicable/ Applicable]
9. Interest Basis: [[●]% Fixed Rate]



- [[●]+/- [●]% Floating Rate]
- (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]
- [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] [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]  
[Investor Put (as referred in Condition 7)]  
[Issuer Call (as referred in Condition 7)][(further particulars specified in paragraph [17] below)]
13. [Date of [Board] approval for issuance of Covered Bonds [and Covered Bonds Guarantee] [respectively]] obtained: [●] [and [●], respectively]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Covered Bonds Guarantee)*

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Provisions** [Applicable/Not Applicable (as referred in Condition [5])]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [●] % per annum payable in arrear on each CB Payment Date
- (ii) CB Payment Date(s): [[●] in each year *[adjusted in accordance with [●]/[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]*
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the CB Payment Date falling [in/on] [●]/[Not Applicable]]

- (v) Day Count Fraction: [Actual/Actual (ICMA)  
Actual/Actual (ISDA)  
Actual/365 (Fixed)  
Actual/360  
30/360  
30E/360 or Eurobond Basis  
30E/360 (ISDA)]

- (vi) Determination Date [[●] in each year/[Not Applicable]]  
*(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*

15. **Floating Rate Provisions** [Applicable/Not Applicable (as referred to it in Condition 6)]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Interest Period(s): [●]  
(ii) Specified Period: [●]

*(Specified Period and CB Payment Dates are alternatives. A Specified Period, rather than CB Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*

- (iii) Payment Date(s): [●]

*(Specified Period and Specified CB Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*

- (iv) First CB Payment Date [●]

- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/FRN 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 of Interest and Interest Amount (if not the Paying Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]*
- (viii) Screen Rate Determination:
- Reference Rate:  month [LIBOR/EURIBOR]
- Reference Banks: /Not Applicable
- 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)  
 Actual/Actual (ISDA)  
 Actual/365 (Fixed)  
 Actual/360  
 30/360  
 30E/360 or Eurobond Basis  
 30E/360 (ISDA)]

### PROVISIONS RELATING TO REDEMPTION

16. **Call Option** [Applicable/Not Applicable](as referred in Condition 7) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Covered Bond 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 (if other than as set out in the Terms and Conditions) [●]
17. **Put Option** [Applicable/Not Applicable](as referred in Condition 7) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]
18. **Final Redemption Amount of each Covered Bond** [●] per Calculation Amount (as referred in Condition 7)
19. **Early Redemption Amount** [Not Applicable/[●] per Calculation Amount](as referred in Condition 7)

Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor Event of Default: [●]

### 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]

Covered Bond Instalment Date	Covered Bond 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 dell'Alto Adige S.p.A.

By: \_\_\_\_\_

Duly authorised

Signed on behalf of VOBA CB S.r.l.

By: \_\_\_\_\_

Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Listing: [Official List of the Luxembourg Stock Exchange/*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/on the Professional Segment of the regulated market] of the [Luxembourg Stock Exchange/*Other*] with effect from [●]/[Not Applicable].

*(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading)*

(iii) Admission to Luxembourg Green Exchange platform: [Yes/No]

(iv) Regulated market [Yes/No]

(v) Professional Segment of the regulated market: [Yes/No]

(vi) 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:]

[Fitch]: [●] [*Insert brief explanation of the meaning of the rating if this has been previously published by Fitch*]

[●]:[●][*Insert brief explanation of the meaning of the rating if this has been previously published by rating provider*]

[The credit ratings included or referred to in these Final Terms have been issued by Fitch, established in the European Union and registered under Regulation (EC) No 1060/2009 as amended from time to time, including also by Regulation (EU) No. 513 of 2011 and Regulation (EU) No. 462 of 2013 (the **CRA Regulation**) As such Fitch is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/Listregistered-and-certified-CRAs>) in accordance with the CRA Regulation as of the date of these Final Terms.]

[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 CB 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.]

[A credit rating 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

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 23 of the Prospectus Regulation.)]

### 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] rates can be obtained from [Reuters]// [Not Applicable].

### 6. OPERATIONAL INFORMATION

ISIN Code:

Common Code:

CFI

FISN

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

Delivery: Delivery [against/free of] payment

Names and Specified Offices of additional Paying Agent(s) (if any):

[Deemed delivery of clearing system notices for the purposes of Condition 17 (*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]

[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]
10. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Covered Bonds clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Covered Bonds may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*

## PROCEEDS

11. Estimate net amount of proceeds: [●]
12. Use of proceeds: [●]

## USE OF PROCEEDS

The net proceeds of the issue of each Series of Covered Bonds will be applied by the Issuer as specified in the applicable Final Terms, either (a) for general funding purposes, or (b) to finance or refinance mortgage loans having the same characteristics as those included in the Cover Pool, or (c) to finance or refinance, in whole or in part, Eligible Green Projects meeting Eligibility Green Criteria, Eligible Social Projects meeting Eligibility Social Criteria or Eligible Sustainability Projects meeting Eligibility Sustainability Criteria.

The Principles provide that only Tranches of Covered Bonds financing or refinancing Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects that meet the relevant set of eligibility criteria and any other criteria that may be specified in the Issuer's Green Bond Framework, Social Bond Framework or Sustainability Bond Framework, may qualify as credible Green Bonds, Social Bonds or Sustainability Bonds.

For the purposes of this section:

**"Eligible Green Projects"** means projects identified as such in the Issuer's Green Bond Framework. An external reviewer will be appointed to confirm the alignment of the selected

Eligible Green Projects with the Eligibility Green Criteria and to issue an opinion, which will be made available on the Issuer's website at <https://www.volksbank.it>.

**"Eligible Social Projects"** means projects identified as such in the Issuer's Social Bond Framework. An external reviewer will be appointed to confirm the alignment of the selected Eligible Social Projects with the Eligibility Social Criteria and to issue an opinion, which will be made available on the Issuer's website at <https://www.volksbank.it>.

**"Eligible Sustainability Projects"** means projects identified as such in the Issuer's Sustainability Bond Framework. An external reviewer will be appointed to confirm alignment of the selected Eligible Sustainability Projects with the Eligibility Sustainability Criteria and to issue an opinion, which will be made available on the Issuer's website at <https://www.volksbank.it>.

**"Eligibility Green Criteria"** means the criteria prepared by the Issuer as set out in the Issuer's Green Bond Framework, which, prior to the relevant Issue Date, will be available on the Issuer's website at <https://www.volksbank.it>.

**"Eligibility Social Criteria"** means the criteria prepared by the Issuer as set out in the Issuer's Social Bond Framework, which, prior to the relevant Issue Date, will be available on the Issuer's website at <https://www.volksbank.it>.

**"Eligibility Sustainability Criteria"** means the criteria prepared by the Issuer as set out in the Issuer's Sustainability Bond Framework, which, prior to the relevant Issue Date, will be available on the Issuer's website at <https://www.volksbank.it>.

## THE ISSUER

### OVERVIEW

Banca Popolare dell'Alto Adige *società per azioni* (joint stock company) (the "**Issuer**" or "**Banca Popolare dell'Alto Adige**") is an Italian commercial bank, incorporated and operating under the laws of the Republic of Italy, domiciled in Bolzano which carries out lending and funding transactions and offers a wide range of retail and commercial banking and other financial services to customers in Italy and abroad. The shares of Banca Popolare dell'Alto Adige are not listed on any regulated market.

The Issuer provides a wide range of services both to individual and corporate customers, including current and savings accounts, call and time deposits, short- and medium- term loans, the handling of documentary credit and collection, mutual funds and mortgage credit and advice in relation to securities and foreign exchange.

The Issuer's lending to private clients is concentrated on mortgages and personal loans; corporate lending is primarily geared toward small/medium size enterprises located in the north-east regions of Italy, in the provinces of Bolzano, Trento, Belluno, Treviso, Venice, Vicenza, Padova, Pordenone and Udine.

In 2019, the Issuer became the parent company of Banca Popolare dell'Alto Adige banking group (the "**Parent Company**" and the "**Group**", respectively) as a result of the acquisition of the controlling interest in Voba CB S.r.l., a special purpose vehicle (SPV), which is a transferee of the guarantees for the covered bonds to be issued by Banca Popolare dell'Alto Adige according to the funding programme provided for in the 2019 – 2023 business plan. See "*Description of the Issuer – Significant events after the year end – Acquisition of controlling interest in Voba*" section for further information.

The Group is subject to the consolidated banking supervision.

### INCORPORATION, DURATION AND REGISTERED OFFICE

The Issuer is incorporated under Italian law as a joint stock company (*società per azioni*) with limited liability based on its issued corporate shares.

Banca Popolare dell'Alto Adige was established on 30 July 1992 following the merger of Banca Popolare di Bolzano (founded in 1902) and Banca Popolare di Bressanone (founded in 1889) according to Italian law No. 218/1990 (*Legge Amato*). In 1995, the Issuer acquired Banca Popolare di Merano (operating since 1886). On 1 April 2015, Banca Popolare di Marostica was merged into Banca Popolare dell'Alto Adige.

The duration of Banca Popolare dell'Alto Adige has been established until 31 December 2100, and may be extended thereafter.

The Issuer is registered with the Companies Register of Bolzano (*Registro imprese di Bolzano*) under the number 00129730214. It is also registered on the Register of banks (*Albo delle banche*) and the Register of banking groups (*Albo dei gruppi bancari*), each held by the Bank of Italy, under the number 5856 and with the Italian Banking Association (*Associazione Bancaria Italiana*) under the number 05856.

Banca Popolare dell'Alto Adige's registered office and principal place of business is located in Bolzano, Via del Macello 55, Italy, e-mail [treasury@volksbank.it](mailto:treasury@volksbank.it), telephone number +39 0471 996 467.

Banca Popolare dell'Alto Adige's Legal Entity Identifier (LEI): 52990033C5FUEN4LMC06

Banca Popolare dell'Alto Adige's website: <https://www.volksbank.it>.

### OBJECT

Under its by-laws, the corporate purpose of Banca Popolare dell'Alto Adige is deposit-taking and provision of all forms of lending services. To that end, the Company is focused on expanding its territorial presence through its branch network.

The Company may also, in compliance with all laws and regulations applicable from time to time and subject to obtaining the required authorisations, provide all banking and financial services (including issuing of bonds) and security brokerage and transactions, including activities of mutual benefit, and perform all other transactions instrumental to or in any way related to the achievement by the Company of its corporate purpose, including transactions that may benefit from the "European passport" regime.

In order to pursue its banking objects, the Company may take up membership with associations and consortiums and stipulate agreements both in Italy and abroad.

## **SHARE CAPITAL**

As at 31 December 2018, the Issuer's issued and fully paid up share capital amounted to Euro 201,993,752 divided into 50,498,438 ordinary shares. Shares do not have restrictions or privileges of any kind and each share gives to the holder voting rights (one vote per share) and equal rights for the payment of dividends and redemption of capital, save for 1,533,352 own shares held by the Issuer which do not give voting rights or rights for the payment of dividends. See "*Description of the Issuer – Recent developments – Issue of scrip shares*" section for further information.

The shares are issued in dematerialised form on the central depository system in accordance with the laws currently in force.

The shares of Banca Popolare dell'Alto Adige are not listed on any regulated market. From the start of trading on the order driven segment of the MIM-MTF (25 September 2017) to the auction of 4 October 2019 329,619 shares of the Issuer for a total value of Euro 4,346,571.00 have been traded. MIM-MTF (Multilateral Italian Market - Multilateral Trading Facility recognised by CONSOB), is the market organised and managed by Hi-MTF Sim S.p.A. and is specialised in trading bank shares not listed on the regulated market.

## **Voting rights and limits**

Each share gives the right to one vote.

Each party entitled to vote may exercise the voting rights without any limitation to the number of shares held.

The right to attend and vote at the shareholders' meetings may also be given by shareholders to persons who are not shareholders of the Issuer. The by-laws of Banca Popolare dell'Alto Adige provide for the possibility to delegate the right to attend and vote at the shareholders' meeting to a proxy appointed by the Board of Directors pursuant to voluntary application of the regulations applicable to the listed companies.

Each proxy may represent up to 200 shareholders.

Members of the Board of Directors or the Board of Statutory Auditors and employees of Banca Popolare dell'Alto Adige or its subsidiary companies may not act with proxy given by shareholders.

## **MANAGEMENT**

The management of the Issuer comprises the Board of Directors, the Board of Statutory Auditors and the General Manager.

### **Board of Directors**

The Board of Directors (*Consiglio di amministrazione*) of Banca Popolare dell'Alto Adige is responsible for strategic supervision and oversight of business management and must ensure that the risks to which the Issuer is exposed in its business are properly managed. According to the Issuer's by-laws, the Board of Directors may consist of a minimum of nine and maximum of twelve directors, appointed by the shareholders' meeting for a period not longer than three years and may be re-elected.

The Board of Directors in office at the date of this Base Prospectus is comprised of eleven members (in 2018, one Director ceased due to death and has not been replaced) appointed at an ordinary shareholders' meeting of the Issuer held on 1<sup>st</sup> April 2017 for a term of three years expiring on the approval of the financial statements for the year ending 31 December 2019.

The Board of Directors is vested with ordinary and extraordinary powers regarding the administration of Banca Popolare dell'Alto Adige, except for those powers reserved specifically for the shareholders of the Issuer by Italian laws and the by-laws of Banca Popolare dell'Alto Adige.

The table below sets forth the composition of the Issuer's Board of Directors as at the date of this Base Prospectus and the main positions held by the members of the Board outside the Issuer.

<b>Name</b>	<b>Position</b>	<b>Main positions held outside Banca Popolare dell'Alto Adige</b>
Michaeler Otmar	Chairman	Sole Director of The Anton Srl (Holding of FMTG Group AG ) – A and CEO of FMTG Group – A and Executive Director of subsidiary companies  Sole Director of Michaeler Management & Investments srl – Varna BZ and Executive Director of controlled companies
Cabion Maria Giovanna	Deputy-chairman	Standing Auditor of Ialc Serramenti srl – Vicenza VI
Salvà Lorenzo	Deputy-chairman	Senior Partner of Law firm Studio legale Salvà Mellarini De Carlo – Merano BZ
Bertacco Lorenzo	Non-executive, Independent Director	Chairman Board of Directors of Salus srl – Marostica VI and Executive Director of subsidiary company
Covi David	Non-executive, Independent Director	Partner of Law firm Studio Legale Gostner & Partner – Bolzano BZ
Froschmayr Philip	Non-executive Director	CEO of Progress Invest spa – Bressanone BZ and Executive Director of subsidiary companies
Ladurner Lukas	Executive Director	Sole shareholder of LL International spa – Tirolo BZ and Executive Director of subsidiary companies

Marzola Alessandro	Non-executive Director	CEO of Holiday Service - Bolzano BZ and Executive Director of subsidiary companies  Director of Marzola snc di Ivan Marzola & Co. – Bressanone BZ and Executive Director of subsidiary companies
Padovan Giuseppe	Executive Director	Senior Partner of Law firm Studio legale Padovan – Bassano BZ
Tauber Margit	Non-executive, Independent Director	Vice-Chairman of Thermo-System srl – Bressanone BZ
Wierer Gregor	Non-executive Director	Sole Director of Baugut srl – Brunico BZ

The business address of each member of the Board of Directors is at the Issuer’s registered office in via del Macello 55, I-39100 Bolzano, Italy.

### **General Manager**

Pursuant to the by-laws of the Issuer, the General Manager, as the head of the operating structure, oversees the implementation of the resolutions adopted by the Board of Directors, conducts day-to-day operations and affairs of the Issuer and exercises any other powers conferred on him by the Board of Directors.

As at the date of this Base Prospectus, the General Manager of the Issuer is Mr. Johannes Schneebacher, who joined the Company in 2001. His business address is at the registered office of the Issuer in via del Macello 55, I-39100, Bolzano, Italy.

### **Board of Statutory Auditors**

Under Italian law, the shareholders must appoint a Board of Statutory Auditors (*Collegio sindacale*), to be composed of three standing auditors and two alternate auditors. The Board of Statutory Auditors in charge as at the date of this Base Prospectus was appointed at the ordinary and extraordinary shareholders' meeting of the Issuer held on 30 March 2019 for a term of three years, ending on the date of the shareholders’ meeting called to approve the Issuer’s financial statements for the year ending 31 December 2021.

The Board of Statutory Auditors is responsible for overseeing the management of the Issuer and verifying compliance of the Issuer with applicable Italian laws and Banca Popolare dell'Alto Adige's by-laws. It is also responsible for ensuring that Banca Popolare dell'Alto Adige's organization, internal auditing and accounting system are adequate and reliable. The Board of Statutory Auditors is required to meet at least on a quarterly basis and is required by law to attend the Board of Directors' meetings and the shareholders' meetings.

The table below sets forth the composition of the Issuer's Board of Statutory Auditors as at the date of this Base Prospectus and the main positions held by the Standing members of the Board outside the Issuer.

<b>Name</b>	<b>Position</b>	<b>Main positions held outside Banca Popolare dell'Alto Adige</b>
Kofler Astrid	Chairman	<p>Senior Partner of Certified public accountants firm Studio K&amp;P Tax Consulting – Bolzano BZ, Milano MI</p> <p>Member of the board of directors of Autobrennero spa – Trento TN and Director of subsidiary companies</p> <p>Member of the board of directors of SASA spa – Bolzano BZ</p>
Hesse Georg	Standing Auditor	<p>Senior Partner of Certified public accountants firm Studio Hesse &amp; Baldessarelli – Merano BZ</p> <p>Standing Auditor of Botzen Invest spa - Bolzano BZ</p> <p>Standing Auditor of Eisackwerk Rio Pusteria srl – Bolzano BZ</p> <p>Standing Auditor of Foppa srl – Egna BZ</p> <p>Standing Auditor of Haas srl – Ora BZ</p> <p>Standing Auditor of Roner spa – Termeno BZ</p> <p>Standing Auditor of Infominds Group srl – Bressanone BZ</p> <p>Standing Auditor of Molino Merano srl - Lana BZ</p> <p>Chairman Board of Statutory Auditors of Roefix spa – Parcines BZ</p> <p>Managing Partner Risberg sas – Parcines BZ</p> <p>Standing Auditor of Fir Fulda srl – S.Ambrogio di Torino TO</p> <p>Standing Auditor of Karl Pichler spa – Laguno BZ</p> <p>Central Parking spa – Bolzano BZ</p>
Lorenzon Emilio	Standing Auditor	<p>Partner of Certified public accountants firm Studio Studio Pichler, Dejori, Comploj &amp; Partner – Bolzano BZ</p> <p>Standing Auditor of Arrow ECS spa – Bolzano BZ</p> <p>Standing Auditor of Delmo spa – Bolzano BZ</p> <p>Chairman of the Board of Statutory Auditors of JOY TOY spa - Natz BZ</p>

Name	Position	Main positions held outside Banca Popolare dell'Alto Adige
Dapoz Nadia	Alternate Auditor	Standing Auditor of Liebherr Emtec Italia spa – Bressanone BZ Standing Auditor of Pramstrahler srl - Fié Sciliar BZ Standing Auditor of Viega srl – Valsamoggia BO CEO pf PSE DUO Holding srl – Bolzano BZ CEO of IT PC II srl – Bolzano BZ
Wisthaler Markus	Alternate Auditor	Partner of Certified public accountants firm Studio Peintener, Seidner & Partner - Bressanone BZ

The business address of the members of the Board of Statutory Auditors is at the Issuer's registered office in via del Macello 55, I-39100 Bolzano, Italy.

### Conflicts of interest

Transactions with related parties are governed by the CONSOB (*Commissione Nazionale per le Società e la Borsa*) Regulation No. 17221 dated 12 March 2010 (as amended by the CONSOB's Decisions No. 17389 of 23 June 2010, No. 19925 of 22 March 2017 and No. 19974 of 17 April 2017) ("**CONSOB Regulation 17221**") and the Bank of Italy's Provisions dated 12 December 2011 ("**Bank of Italy Provisions**") on a new oversight framework on risk and conflicts of interest with related parties. The regulatory provisions provide that any transactions, whether or not made for payment, a bank enters into with a related party (as defined by CONSOB in accordance with IAS 24) or with any associated party (which, according to the Bank of Italy, includes related parties and parties having connection to related parties) should be:

- identified;
- monitored in accordance with specific indices and the Bank of Italy's prudent ratios;
- where appropriate, subject to a special decision-making process, and
- notified in compliance with requirements under transparency and accounting rules.

The special conditions of procedure, transparency and quantity established by the Bank of Italy are applicable to related parties transactions and aim to create a system of oversight for transactions with related parties that can potentially influence the decision-making process when granting financing and when conducting financial negotiations concerning the Issuer which may potentially cause damage to the stability of a bank's capital at the expense of the deposit holders and its shareholders. Under the regulatory framework, company representatives are listed among the parties that could influence the bank's operations. Furthermore, the conflict of interest could



also arise in the situations where the Issuer has a significant exposure to one party or when the Issuer holds a substantial interest in any given company.

The regulatory framework requires the banks to adopt appropriate procedures designed to ensure the oversight of transactions with related or associated parties in accordance with their connection with the bank's decision-makers and their relations with each other.

By the resolutions of 25 October 2010 and most recently of 21 June 2019, as amended, the

Board of Directors of the Issuer adopted the procedures necessary to ensure compliance with Article 2391-*bis* of the Italian Civil Code, the CONSOB Regulation 17221 and the Bank of Italy Provisions. As of 1 January 2011, any transactions, services or obligations which are or may be deemed risky, regardless of whether such transactions, services or obligations are entered into or performed for payment or a company directly or indirectly controlled by Banca Popolare dell'Alto Adige, with related parties or associated parties will have to be monitored and will be subject to a special decision making and reporting procedure. When the related or associated parties' transactions are deemed to be substantial in light of the regulatory provisions, such transactions must be accounted for in relation to the relevant related party and a connection between the related party and associated parties must be assessed.

As of 1 January 2012, any financing granted to related parties and parties having connection to related parties must not exceed the prudential threshold set forth by the Bank of Italy.

In light of the Issuer's organisation structure as at the date of this Base Prospectus, the following persons are considered to be the parties related to Banca Popolare dell'Alto Adige:

- (a) members of the Board of Directors, members of the Board of Statutory Auditors, the General Manager and his substitute;
- (b) companies controlled by the Issuer or companies over which the Issuer exercises considerable influence or companies under control by a company belonging to the banking group of the Issuer, if and when such banking group is established.

As at the date of this Base Prospectus, the following are considered to be parties connected to the related parties of Banca Popolare dell'Alto Adige:

- (a) companies controlled by a party related to Banca Popolare dell'Alto Adige;
- (b) relatives of up to the 2-degree, spouse (not legally separated) or common-law spouse and children of a spouse/common-law spouse of any related party indicated under letter (a);
- (c) companies, including without legal personality, where parties under letters (a) and (d) hold direct or indirect control or considerable influence.

In 2018, the Issuer did not enter into any atypical transactions with the members of its Board of Directors, where such transactions could have a significant effect on the Issuer's assets. All transactions with the members of the Board of Directors were related to the ordinary activities of the Issuer. Such transactions are regulated in accordance with market standards and with the applicable supervisory authority and company regulations.

The Issuer is not aware of any conflict of interest that exists or may exist between the duties owed to it by its directors and their private interests and other duties outside the Issuer and there are no activities performed by the directors of the Issuer outside the Issuer that could be considered significant with respect to the Issuer.

## **INDEPENDENT AUDITORS**

In accordance with applicable Italian laws and regulations, the financial statements of the Issuer must be audited by an independent auditing company appointed by a resolution of the Issuer's ordinary shareholders' meeting and that such appointment must be approved by the Board of Statutory Auditors.

The independent auditors of the Issuer are KPMG S.p.A. ("**KPMG**"), with a registered office at Via Vittor Pisani 27, 20124 Milan, Italy. KPMG is registered on the Register of certified auditors (*Registro dei revisori legali*) held by the Ministry of Economy and Finance ("**MEF**") pursuant to Legislative Decree No. 39 of 27 January 2010. The shareholders' meeting of Banca Popolare dell'Alto Adige appointed KPMG to audit the Issuer's consolidated financial statements for the years 2019 – 2027.

Pursuant to Italian Legislative Decree No. 38 of 28 February 2005 (as amended by Article 1, paragraph 1070 of Law No. 145 of 30 December 2018), Italian banks, which have securities admitted to trading on a regulated market, are required to prepare, starting from annual financial statements as at and for the year ended 31 December 2006, their non-consolidated annual financial statements in accordance with International Financial Reporting Standards issued by the IASB (International Accounting Standards Board) ("**IFRS**") and as adopted by the European Union. Financial statements of the Issuer prepared before such date were prepared in accordance with Legislative Decree No. 87 of 27 January 1992 and with the generally accepted accounting principles in Italy issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli esperti contabili* ("**Italian GAAP**").

The statutory financial statements of the Issuer as at and for the years ended 31 December 2017 and 31 December 2018 were audited by BDO, in accordance with generally accepted auditing standards and legal requirements in Italy. The independent auditors have issued unqualified auditors' reports related to such financial statements.

## **ORDINARY SHAREHOLDERS' MEETINGS**

Pursuant to Article 11 of the Issuer's by-laws, the ordinary shareholders' meeting of Banca Popolare dell'Alto Adige is called at least once a year within 120 days of the end of the Issuer's fiscal year.

The shareholders' meeting is held in general on a single call.

The publication of a notice of shareholders' meeting has to comply with the requirements established by law and regulations applicable from time to time.

The notice of call is published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale*) or in one of the two national daily newspapers "*Il Sole 24 Ore*" or "*Milano Finanza*" at least 20 days prior to the date proposed for the shareholders' meeting.

When held on a single call, the ordinary shareholders' meeting is deemed to be duly constituted irrespective of the portion of the share capital represented and the resolutions are passed with the favourable vote of the absolute majority of the share capital represented at the meeting.

Multiple calls are defined by Article 16, paragraph 2 and Article 17, paragraph 2 of the Issuer's by-laws.

The resolutions of the shareholders' meeting are adopted by an open vote.

## **FISCAL YEAR**

The fiscal year of the Issuer is the calendar year.

## **BRANCHES**

As at 31 December 2018, the Issuer had a network of 170 branches located in the Italian northeast provinces of Bolzano, Trento, Belluno, Treviso, Vicenza, Padova, Pordenone and Venice (as compared to 177 branches as at 31 December 2017).

## EQUITY INVESTMENTS

As at the date of this Base Prospectus, Banca Popolare dell'Alto Adige is the Parent Company of the Group. See "Description of the Issuer - Overview" and "Description of the Issuer – Significant events after the year end – Acquisition of controlling interest in Voba" sections for further information.

## COMPANIES CONTROLLED BY THE ISSUER

Company name (*)	Registered Office	Activity	Total assets	Stake
<i>(euro thousands)</i>				
Voba Invest S.r.l. (in liquidation)	Bolzano	Private Equity	2,191	100,00
Valpolicella Alta Società Agricola r.l.	Bolzano	Vineyards cultivation	4,387	100,00
Quartiere Brizzi S.r.l.	Chienes	Real estate development company	6,031	100,00
Voba CB Srl	Conegliano	Special Purpose Vehicle	10,00	60,00

(\*) The figures for the equity investments are derived from the Issuer's financial statements as at and for the year ended 31 December 2018.

## RATING

The rating agencies Standard & Poor's ("**S&P**"), Fitch Ratings ("**Fitch**") and DBRS Ratings Limited ("**DBRS**") currently assign ratings to the Issuer.

### *S&P*

On 30 October 2018, S&P announced that it had affirmed the "BB+" long-term rating of Banca Popolare dell'Alto Adige as well as the "stable" outlook. At the same time, it confirmed the "B" creditworthiness rating for the short term.

According to S&P, the Issuer benefits from its good positioning in the Trentino-Alto Adige region, which traditionally has had pro-capita GDP higher than the average and lower levels of unemployment. Furthermore, S&P also highlighted the Issuer's solid funding profile as a further point of strength.

S&P deems that the Issuer will be capable of maintaining asset quality higher than the average of the Italian banking system while preserving its capitalisation and expects that Banca Popolare dell'Alto Adige will manage to keep the risk adjusted capital ("**RAC**") ratio comfortably above 5 per cent. over the next 12 months and that the NPL ratio will decrease below 10 per cent. in 2019 and further materially decrease afterwards.

S&P would lower the rating if it considers that the asset quality of Banca Popolare dell'Alto Adige is unlikely to progress in line with its expectations, to the point that it no longer considers the asset quality of the Issuer to be better than that of its domestic peers. Rating improvement could happen if operating conditions in Italy stabilise and the Issuer builds up sufficient capital to maintain its RAC ratio sustainably above 7.0 per cent., while keeping all the drivers of its creditworthiness unchanged.

On 26 October 2018, S&P confirmed Italy's "BBB" rating, while changing its outlook from "stable" to "negative". S&P Global Ratings Europe - Italian Branch is established in the European Union and registered under the CRA Regulation.

#### *Fitch*

On 3 August 2018, Fitch confirmed the "Long-Terms Issuer Default Rating" of Banca Popolare dell'Alto Adige as "BB+/stable" and the "Short-Term Issuer Default Rating" as "B".

The rating assigned to the Issuer by Fitch takes into consideration the effectiveness of the business model as a regional bank, with a moderate propensity to risk and capital adequacy. The reduction in impaired loans is accelerating and Fitch believes that the Issuer's commitment to returning to its historical low levels of impaired loans (below 10 per cent. of gross loans) is achievable. In the opinion of Fitch, Banca Popolare dell'Alto Adige's moderate franchise in its home region has allowed it to face the changes in interest rates and economic cycles better than the number of its domestic peers. In the view of Fitch, the robust lending standards of the Issuer have kept its credit risk manageable, and the Issuer's capital ratios are maintained with satisfactory buffers over minimum regulatory requirements. The improvement potential reported by Fitch concerns profitability and a more diversified funding.

On 22 February 2019, Fitch affirmed Italy's rating at "BBB" and changed its outlook from "stable" to "negative". Fitch Italia S.p.A. is established in the European Union and registered under CRA Regulation.

#### *DBRS*

On 14 December 2018, DBRS raised the "Long-Term Deposits Rating" of Banca Popolare dell'Alto Adige from "BBB (low)" to "BBB" and the "Short-Term Deposits Rating" from "R-2 (middle)" to "R-2 (high)", while keeping the trend "stable" on both ratings.

According to DBRS, the rating action reflects the introduction in Italy of full depositor preference in bank insolvency and resolution proceedings from 1 January 2019, which follows the implementation in Italy of the EU Bank Recovery and Resolution Directive 2014/59/EU ("**BRRD**") through the adoption of Legislative Decree No. 180/2015 and Legislative Decree No. 181/2015 ("**BRRD Decrees**").

DBRS highlighted the Issuer's solid market positioning in the province of Bolzano in Trentino Alto Adige, the stable retail funding and the adequate capital cushion. On the other hand, profitability is judged modest and the stock of NPLs remains higher than that of its European peers despite the improvements.

On 11 January 2019, DBRS confirmed Italy's rating at "BBB (high)" with a "stable" outlook.

DBRS Ratings GmbH is established in the European Union and registered under CRA Regulation.

## **LITIGATION**

In the ordinary course of its business activities as a financial institution, the Issuer is involved in various legal proceedings both as claimant and as defendant. Such proceedings are managed in accordance with principles of ordinary diligence and care.

## CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital ratios pursuant to the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institution and investment firms ("**CRD IV**") and the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**" and together the "**Capital Adequacy Directives**"), Italy's current requirements are similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Supervision . The capital ratios consist of core (Tier 1), which consists of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT1), and supplemental (Tier 2) capital requirements relating to Banca Popolare dell'Alto Adige's assets and certain off-balance sheet items weighted according to risks ("**risk-weighted assets**").

Under the Bank of Italy's regulations, as of 1 January 2019, Banca Popolare dell'Alto Adige is required to maintain a total capital ratio (the ratio of total capital to total risk-weighted assets) of 11.75 per cent (on a non-consolidated basis), which is composed of a binding 9.25 per cent. (of which 8 per cent. as a result of the mandatory minimum requirement and 1.25 per cent. as a result of additional requirements determined by the SREP outcome) and for the remaining part by the capital conservation buffer component.

The following table shows the composition of the Banca Popolare dell'Alto Adige's Regulatory Capital, as established by the Bank of Italy's rules, on a non-consolidated basis as at 30 June 2019, 31 December 2017 and 31 December 2018:

	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(euro thousands)</i>		
Total Common Equity Tier 1 Capital (CET1)	731,681	727,860	715,365
Tier 2 Capital	130,000	130,000	105,000
Items for deduction		0	0
Total own funds	861,681	857,860	821,514
Capital to cover market risk	830	899	914
Capital to cover credit and counterparty risk	462,492	481,865	447,818
Capital to cover other risks	0	0	0
Capital to cover operational risk	34,991	34,991	33,906
Total prudential requirements	498,313	517,755	482,638
Free capital <sup>(1)</sup>	363,368	340,105	338,876
Risk-weighted assets (RWA)	6,228,918	6,471,938	6,032,971

Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	11.75%	11.25%	11.86%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	11.75%	11.25%	11.86%
Total own funds/Risk-weighted assets (Total capital ratio)	13.83%	13.26%	13.62%

(1) Free capital represents the capital available for investments in fixed assets or equity investments.

## LOANS AND FUNDING

The following table provides a breakdown of the Issuer's non-consolidated loan portfolio as at 30 June 2019, 31 December 2018 and 31 December 2017 according to category of debtor and type of loan:

	<b>30/06/2019</b>		<b>31/12/2018</b>		<b>31/12/2017</b>	
	<i>(Unaudited)</i>		<i>(Audited)</i>		<i>(Audited)</i>	
	<b>Value</b>	<b>%</b>	<b>Value</b>	<b>%</b>	<b>Value</b>	<b>%</b>
	<i>(euro thousands)</i>		<i>(euro thousands)</i>		<i>(euro thousands)</i>	
<b>Loans to Banks</b>						
Due to central banks	69,479	0.79	44,984	0.54	104,016	1.33
Repurchase agreements	0	0.00	0	0.00	0	0.00
Current accounts	2,913	0.03	2,049	0.02	3,990	0.05
Deposits	50	0.00	50	0.00	50	0.00
Financing	2,438	0.03	1,846	0.02	1,690	0.02
Other	0	0.00	0	0.00	0	0.00
Titoli di debito	0	0.00	34,430	0.41	0	0.00
<b>Total loans to banks</b>	<b>74,880</b>	<b>0.85</b>	<b>83,359</b>	<b>0.99</b>	<b>109,746</b>	<b>1.41</b>
<b>Loans to customers</b>						
Current accounts	1,137,502	12.98	1,310,029	15.58	1,359,048	17.44
Repurchase agreements	0	0.00	0	0.00	0	0.00
Mortgages	5,361,212	61.19	5,220,132	62.10	4,836,447	62.06
Credit card and personal loans	124,521	1.42	119,866	1.43	118,494	1.52
Leasing	0	0.00	0	0.00	0	0.00
Factoring	0	0.00	0	0.00	0	0.00
Other	529,873	6.05	490,530	5.84	478,963	6.15
Titoli strutturati	7,726	0.08	7,183	0.08	0	0

Altri titoli di debito	1,526,951	17.43	1,257,776	14.96	890,392	11.43
<b>Total loans to customers</b>	<b>8,687,275</b>	<b>99.15</b>	<b>8,405,516</b>	<b>99.01</b>	<b>7,683,344</b>	<b>98.59</b>
<b>Total loans</b>	<b>8,762,155</b>	<b>100.00</b>	<b>8,488,875</b>	<b>100.00</b>	<b>7,793,090</b>	<b>100.00</b>

## LIQUIDITY AND FUNDING RATIOS

The table below sets forth the liquidity and funding ratios of Banca Popolare dell'Alto Adige as at 30 June 2019, 31 December 2018 and 31 December 2017.

	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(euro million)</i>		
Repos	414.1	369.9	172.8
Deposits from other banks	343.0	297.6	156.0
Other deposits from customers	659.7	612.5	584.1
Deposits from government / central banks	1,008.6	1,120.6	994.7
Debt securities in issue, trading and FV liabilities	616.6	698.2	953.5
Current accounts, demand and time deposits from customers	6,331.8	6,003.0	5,640.0
<b>Total</b>	<b>9,373.8</b>	<b>9,101.8</b>	<b>8,501.1</b>
LCR	145%	126%	177%
NSFR	117%	110%	115%

## NON-PERFORMING LOANS

The following table sets out non-consolidated information on the Issuer's non-performing loans at amortized cost (where the borrower is insolvent or in a comparable position, regardless of any forecast or actual losses, excluding off-balance sheet exposure) as at 30 June 2019, 31 December 2018 and 31 December 2017:

	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<b>Value</b>	<b>Value</b>	<b>Value</b>
	<i>(euro thousands)</i>	<i>(euro thousands)</i>	<i>(euro thousands)</i>
Non-performing loans, nominal	670,648	662,550	959,518
Provisions	341,077	291,744	417,033
Non-performing loans, net	329,571	370,805	542,485

## LOAN LOSSES AND PROVISIONS

The following table sets out non-consolidated information on the Issuer's loan losses and provisions as at 30 June 2019, 31 December 2018 and 31 December 2017 (excluding off-balance sheet exposure):

	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(euro thousands)</i>		
Total loans to customers, net exposure	7,243,515	7,227,653	6,961,712
Write-downs effected against loans and allocations for guarantees and commitments	58,360	60,726	48,557
Total provision for loan losses	399,730	352,726	465,590
Write-downs as percentage of loans to customers(*)	0.81%	0.84%	0.70%
Total provision for loan losses as percentage of loans to customers (*)	5.230%	4.653%	6.269%

(\*) For the purpose of calculating the ratio, loans to customers include the total provision for loan losses.

#### **OFF BALANCE SHEET EXPOSURE**

The following table sets out non-consolidated information regarding the Issuer's off-balance sheet exposure as at 30 June 2019, 31 December 2018 and 31 December 2017:

	<b>30/06/2019</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<b>Value</b>	<b>Value</b>	<b>Value</b>
	<i>(euro thousands)</i>		
Impaired off balance sheet exposure, nominal	34,367	28,844	10,368
Other off balance sheet exposure, nominal	2,681,643	2,771,765	825,336
Portfolio adjustments	0	0	0
Impaired off balance sheet exposure, net	31,127	25,207	9,237
Other off balance sheet exposure, net	2,678,748	2,768,553	825,336

#### **STRATEGY**

In December 2018, the Board of Directors of the Issuer approved new 2019-2023 business plan.

The following strategic guidelines to pursue further improvements in productivity, efficiency and profitability with focus on organic value creation were set for the five business lines.



- **Retail:** broaden the value chain by offering “solutions for living” instead of simple mortgages, strengthen fee income by restarting the BankAssurance platform, orchestrate “phygital mindset” and target operational excellence across the branch network.
- **Corporate & Private:** stronger focus on RoE, Account Managers in the role of sparring partners of client’s business plans for selected key sectors with sustainable growth (e.g. tourism).
- **Workout:** new cooperation model with legal advisors, which will lead to a further decrease of the NPL portfolio volumes and risk to below 6 per cent.
- **Markets & ALM:** focus on Maturity Transformation and selective diversification strategies, implementation of ALM and Trading Book guidelines while maintaining low P&L volatility, further diversification of the funding mix and definition of a complete Capital Roadmap.
- **Head Office:** strengthen Data Governance, consolidation of the “phygital mindset”, persistent focus on reducing external costs and realization of economies of scale with the IT Provider.

## SIGNIFICANT EVENTS DURING THE YEAR

### *Issue of subordinated Tier 2 instruments*

During the year ended 31 December 2018, Banca Popolare dell’Alto Adige issued Tier 2 subordinated bonds pursuant to and in accordance with the provisions set forth in Part II, Title I, Chapter 4, Articles 62, 63 and 77 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (“CRR”) and Bank of Italy Circular No. 285 of 17 December 2013 “Application in Italy of Regulation (EU) No. 575/2013 (CRR) and directive 2013/36/EU (CRD 4)”, Part II, Chapter I.

### *Payment of the price for withdrawing shareholders following transformation into a joint-stock company*

As a result of the transformation of Banca Popolare dell’Alto Adige into a joint-stock company, pursuant to Article 2437, paragraph 1, letter b) of the Italian Civil Code, the shareholders of the Issuer who did not vote in favour of the resolution for the transformation of the Issuer into a joint-stock company approved by the extraordinary shareholders’ meeting of 26 November 2016 were granted the right to withdraw.

Pursuant to Article 2437-ter, paragraphs 2 and 5 of the Italian Civil Code, the Issuer determined the settlement value of the shares subject to withdrawal as Euro 12.10 and provided the members and shareholders of the Issuer with a report dated 7 November 2016 containing a description of the methodology used for determining such value.

At the end of the period set by the Issuer for the exercise by the shareholders of withdrawal rights, the withdrawal rights were exercised for 2,645,188 shares. Such shares were therefore offered under option to the other shareholders of Banca Popolare dell’Alto Adige who did not exercise the right to withdraw, pursuant to Article 2437-quarter, paragraphs 1 to 3 of the Italian Civil Code. At the end of the option period, options were exercised on a total of 823,077 shares.

With reference to 1,822,111 shares subject to withdrawal and not absorbed by the market, the Issuer purchased 1,533,352 shares reducing the own funds. As regards 289,081 shares, for which the withdrawing shareholders brought legal proceedings before the Court of Bolzano contesting the redemption price, Banca Popolare dell’Alto Adige paid, pursuant to the orders made by the Court of Bolzano in the period from 22 January 2019 to 12 February 2019, the redemption price by way of an advance. As at the date of this Base Prospectus, the Issuer is

awaiting the outcome of the legal proceedings in order to define the conditions for the redemption on account of own funds. Any such redemption will be subject to prior approval by the Bank of Italy.

#### *Withdrawal from SEC*

On 30 November 2018, Banca Popolare dell'Alto Adige completed disposal of the shares held in the capital of Sec Servizi S.p.A. ("SEC"), which provides technology services and software applications to financial institutions.

## **SIGNIFICANT EVENTS AFTER THE YEAR END**

### *Acquisition of controlling interest in Voba*

On 4 February 2019, in accordance with the banking supervisory procedures, the Issuer acquired a controlling interest in Voba CB S.r.l. ("**Voba**"), a special purpose vehicle (SPV) and a transferee of the guarantees over the covered bonds (guaranteed bank bonds pursuant to Law No. 130/1999, Article 7-*bis* and the implementing regulation adopted by MEF Decree No. 310/2006), which Banca Popolare dell'Alto Adige intends to issue beginning from the second semester of 2019 according to the funding programme included in the 2019 – 2023 business plan.

Following the acquisition of Voba, the Issuer requested and obtained the registration in the Register of banking groups (*Albo dei gruppi bancari*) held by the Bank of Italy.

Pursuant to Article 61 of Legislative Decree No. 385 of 1 September 1993 ("the "**Consolidated Banking Law**"), the Issuer gives instructions to Voba for the implementation of the directives of the Bank of Italy and other supervisory authorities in the interest of the stability of the Group.

## **RECENT DEVELOPMENTS**

### *Shareholders' approval of 2018 non-consolidated financial statements*

The ordinary shareholders' meeting of Banca Popolare dell'Alto Adige held on 30 March 2019 approved the non-consolidated financial statements of Banca Popolare dell'Alto Adige as at and for the year ended 31 December 2018, together with the distribution to the shareholders of a dividend of Euro 0.27 per share.

## **OVERVIEW FINANCIAL INFORMATION RELATING TO THE ISSUER**

Set out in this section is an overview of financial information of Banca Popolare dell'Alto Adige which is derived from the audited non-consolidated annual financial statements of Banca Popolare dell'Alto Adige as at and for the years ended 31 December 2018 and 2017, in each case together with the accompanying notes and auditor' reports. Such financial statements, together with the accompanying note and auditor' reports, are incorporated by reference into this Base Prospectus. The financial information contained in the section should be read in conjunction with such financial statements, notes and auditor' reports thereto. See also "*Documents incorporated by reference*".

Since 2006, the Issuer has prepared its annual financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular 262 of 22 December 2005 and related transitional regulations in Italy ("**IFRS**"). Accordingly, all of the following financial information of the Issuer incorporated by reference in this Base Prospectus has been prepared in accordance with IFRS.

The annual financial statements of the Issuer as at and for the years ended 31 December 2018 and 2017 have been audited by BDO Italia S.p.A, which has been appointed by the shareholders' meeting of Banca Popolare

dell'Alto Adige held on 27 April 2011 to audit financial statements of the Issuer for the 6-year period from 2013 to 2018.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, the above-mentioned annual financial statements incorporated by reference in this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or to the specified office of the Listing Agent in Luxembourg. In addition, such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The following tables present annual balance sheet and income statement information of the Issuer as at 30 June 2019 and for the years ended 31 December 2018 and 2017.

#### ANNUAL BALANCE SHEET

Assets		30/06/2019	31/12/2018	31/12/2017
		(Unaudited) Value	(Audited) Value	(Audited) Value
		(euro)		
10.	Cash and cash equivalents	79,997,762	83,017,850	71,358,997
20.	Financial assets designated at fair value through profit and loss	216,037,058	290,022,083	199,065,518
	a) financial assets held for trading	1,195,663	3,258,439	11,494,684
	b) financial assets designated at fair value	-	-	-
	c) other financial assets measured at fair value	214,841,395	286,763,644	187,570,835
30.	Financial assets measured at fair value with impact on overall profitability	794,490,006	829,144,042	1,004,413,149
40.	Financial assets measured at amortised cost	8,762,155,590	8,488,828,633	7,793,089,996
	a) loans to banks	74,880,202	83,358,663	109,745,557
	b) loans to customers	8,687,275,388	8,405,469,970	7,683,344,439
50.	Hedging derivatives	-	-	-
60.	Value adjustment of hedged financial assets	-	-	-
70.	Equity investments	5,626,058	5,745,476	5,793,248
80.	Physical assets	151,983,630	135,964,893	139,577,074
90.	Intangible assets	19,007,736	118,731,281	119,213,815
	<i>of which Goodwill</i>	-	99,601,776	99,601,776
100.	Tax assets	182,724,878	174,704,904	169,106,370
	a) current	57,182,050	54,806,801	59,540,633

	b) prepaid	125,542,828	119,898,103	109,565,737
110.	Non-current assets and groups of assets held for sale	12,697,587	12,923,130	-
120.	Other assets	144,848,389	136,479,833	136,318,027
	<b>Total assets</b>	<b>10,369,568,694</b>	<b>10,275,562,125</b>	<b>9,637,936,194</b>

<b>Liabilities and shareholders' equity</b>		<b>30/06/2019</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
		(Unaudited) <b>Value</b>	(Audited) <b>Value</b>	(Audited) <b>Value</b>
		(euro)		
10.	Financial liabilities measured at amortised costs	9,373,830,638	9,101,606,666	8,501,056,421
	a) payable to banks	1,351,653,481	1,418,187,385	1,150,659,435
	b) payables to customers	7,405,598,755	6,985,198,803	6,396,871,221
	c) outstanding securities	616,578,402	698,220,477	953,525,765
20.	Financial liabilities held for trading	2,057,660	1,429,146	2,030,173
30.	Financial liabilities designated at fair value (IFRS 7, para. 8 letter e))	-	-	1,049,676
40.	Hedging derivatives	-	-	-
50.	Value adjustment of hedged financial liabilities (+ / -)	-	-	-
60.	Tax liabilities	28,210,809	31,253,823	33,831,834
	a) current	8,926,489	4,291,065	3,668,215
	b) deferred	19,284,320	26,962,757	30,163,619
70.	Liabilities associated with assets held for sale	-	-	-
80.	Other liabilities	195,505,357	266,228,646	188,923,598
90.	Employee severance indemnities	19,965,611	19,113,484	19,751,789
100.	Provisions for risks and charges	18,562,061	20,728,394	17,923,096
	a) commitments and guarantees given	6,133,629	6,848,854	1,131,318
	b) pensions and similar obligation	-	-	-
	c) other provisions for risks and charges	12,428,432	13,879,540	16,791,778

110.	Valuation reserves	(1,461,281)	(15,387,237)	681,778
120.	Redeemable shares	-	-	-
130.	Equity instruments	-	-	-
140.	Reserves	267,835,944	249,733,758	284,365,657
150.	Issue premium	383,158,533	383,158,533	383,158,533
160.	Capital	201,993,752	201,993,752	199,439,716
170.	Treasury shares (-)	(18,553,559)	(18,553,559)	(18,553,559)
180.	Profit (Loss) for the year (+/-)	(101,536,831)	34,256,720	24,277,481
	<b>Total liabilities and shareholders' equity</b>	<b>10,369,568,694</b>	<b>10,275,562,125</b>	<b>9,637,936,194</b>

## INCOME STATEMENT

		<b>30/06/2019</b> (Unaudited) <b>Value</b>	<b>30/06/2018</b> (Unaudited) <b>Value</b>
		(euro)	
10.	Interest receivable and similar income	105,255,567	97,785,735
	<i>of which: interest income calculated according to the effective interest method</i>	99,228,361	91,655,722
20.	Interest paid and similar charges	(14,397,113)	(14,884,034)
<b>30.</b>	<b>Interest margin</b>	<b>90,858,454</b>	<b>82,901,701</b>
40.	Commission income	49,927,961	48,105,730
50.	Commission expense	(5,249,158)	(5,040,090)
<b>60.</b>	<b>Net fees</b>	<b>44,678,803</b>	<b>43,065,640</b>
70.	Dividends and similar income	2,097,899	1,978,782
80.	Net result of trading	566,593	1,284,088
90.	Net result of hedging	-	-
100.	Profit (losses) on disposal or repurchase of:	4,312,474	3,059,320
	a) financial assets measured at amortised cost	2,882,715	1,476,446
	b) financial assets measured at fair value with an impact on comprehensive income	1,323,258	1,413,387
	c) financial liabilities	106,501	169,487
110.	Net profit/loss from other financial assets and liabilities measured at fair value with an impact on the income statement	(16,334,354)	1,738,937
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets compulsorily measured at fair value	(16,334,354)	1,738,937
<b>120.</b>	<b>Net receipts from banking</b>	<b>126,179,869</b>	<b>134,028,468</b>
130.	Net adjustments/write-backs of impairment losses of:	(56,896,135)	(17,369,287)
	a) financial assets measured at amortised cost	(57,338,406)	(17,096,047)
	b) financial assets measured at fair value with an impact on comprehensive income	442,271	(273,240)
140.	Gains/losses from contractual amendments without write-downs	-	6,283
<b>150.</b>	<b>Net result of financial management</b>	<b>69,283,734</b>	<b>116,665,464</b>
160.	Administrative expenses:	(89,078,623)	(97,365,382)
	a) personnel expenses	(46,924,401)	(50,473,196)

	b) other administrative expenses	(42,154,222)	(46,892,186)
170.	Net provisions for risks and charges	1,213,591	(4,018,186)
	a) credit risk relating to commitments and guarantees given	715,226	677,220
	b) other net provisions	498,365	(4,695,406)
180.	Net adjustments/write-backs on physical assets	(5,803,532)	(5,178,670)
190.	Net adjustments/write-backs on intangible assets	(853,043)	(578,084)
200.	Other operating income/expenses	10,356,751	9,793,767
<b>210.</b>	<b>Operating costs</b>	<b>(84,164,856)</b>	<b>(97,346,555)</b>
220.	Profit (losses) on equity investments	(267,800)	64,145
230.	Net result of measurement at fair value of tangible and intangible assets	-	-
240.	Goodwill value adjustments	(99,601,776)	-
250.	Profit (losses) on disposal of investments	32,898	5,759
<b>260.</b>	<b>Profit (loss) from current operations before tax</b>	<b>(114,717,800)</b>	<b>19,388,813</b>
270.	Income taxes on current operations	13,180,969	(4,053,539)
<b>280.</b>	<b>Profit (loss) from current operations after tax</b>	<b>(101,536,831)</b>	<b>15,335,274</b>
290.	Profit (loss) on discontinued operations after tax	-	-
<b>300.</b>	<b>Profit (loss) for the year</b>	<b>(101,536,831)</b>	<b>15,335,274</b>

## THE GUARANTOR

### Introduction

**VOBA CB S.r.l. has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds.**

The Guarantor was incorporated on 30 January 2019 in the Republic of Italy as a limited liability company incorporated under Article 7-*bis* of the Law 130, with Fiscal Code, VAT number and registration number with the Register of Enterprises of Treviso-Belluno no. 04994460261.

The Guarantor operates under the laws of the Republic of Italy.

The duration of VOBA CB S.r.l. shall be until 2100.

VOBA CB S.r.l. has its registered office at Via V. Alfieri, 1, 31015 Conegliano (TV), Italy, the telephone number of the registered office is +390438360900, the fax number is +39 0438 360962 and the PEC address is voba.cb@pec.spv-services.eu.

The authorised, issued and paid in quota capital of VOBA CB S.r.l. is Euro 10,000.

VOBA CB's Legal Entity Identifier (LEI): 8156006FE37BB118C393

### Business Overview

Pursuant to its by-laws, the exclusive purpose of the VOBA CB 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 The 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.

VOBA CB 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 The Law 130.

Since the date of its incorporation, VOBA CB 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 VOBA CB 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.

VOBA CB 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:



<b>NAME AND SURNAME</b>	<b>OFFICE HELD IN THE GUARANTOR</b>	<b>OFFICES HELD IN OTHER COMPANIES</b>
<b>Alberto Caltroni</b>	<b>Chairman and Managing Director</b>	Manager responsible for preparing the BPAA's corporate and financial reports
<b>Sigfried Stocker</b>	<b>Managing Director</b>	Head of Treasury of Banca Popolare dell' Alto Adige S.p.A.
<b>Nausica Pinese</b>	<b>Managing Director</b>	Chief Operating Officer of Securitisation Services 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 Stichting Urano and two by BPAA. 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 VOBA CB 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 VOBA CB S.r.l. (hereafter together the “**Quotaholders**”) are as follows:

BPAA, 60 per cent. of the quota capital;

Stichting Urano, 40 per cent. of the quota capital.

BPAA, with the 60 per cent. of the quota capital controls VOBA CB 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 BPAA to purchase from Stichting Urano and a put option in favour of Stichting Urano to sell to BPAA, the quota of VOBA CB S.r.l. held by Stichting Urano 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 VOBA CB S.r.l. will approve the payments of any dividends or any repayment or return of capital by VOBA CB 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 Guarantor has not, from the date of its incorporation, carried out any business activities nor has incurred in any financial indebtedness.

*Capitalisation and Indebtedness Statement*

The capitalisation of VOBA CB S.r.l. as at the date of this Base Prospectus is as follows: 10.000 Euro.

*Quota capital Issued and authorised*

BPAA has a quota of Euro 6.000 Euro and Stichting Urano has a quota of Euro 4.000 Euro, each fully paid up.

*Total capitalisation and indebtedness*

Save for the Covered Bonds Guarantee and the Subordinated Loan, in accordance with the Subordinated Loan Agreement, at the date of this document, VOBA CB 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*

No statutory auditors (*sindaci*) have been appointed.

## THE ASSET MONITOR

The BoI Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Covered Bond Guarantee.

Pursuant to the BoI Regulations, the asset monitor must be an independent auditor 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, included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 167911.

Pursuant to an engagement letter entered into on or about 8 October 2019, 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 issuing criteria set out under the BoI Regulations with respect to the Covered Bonds' issuance, (ii) the fulfilment with the eligibility criteria set out under the MEF Decree with respect to the Eligible Assets and Integration Assets included in the Portfolios; (iii) the compliance with the limits on the transfer of the Eligible Assets and Integration Assets set out under MEF Decree and the BoI Regulations; (iv) the effectiveness and adequacy of the risk protection provided by any swap agreement entered into in the context of the Programme; (v) the arithmetical accuracy of the calculations performed by the Test Calculation Agent in respect of the Statutory Tests, the Asset Coverage Test and the Amortisation Test and the compliance with the limits set out under the MEF Decree with respect to the Covered Bonds issued and the Eligible Assets and Integration Assets included in the Portfolios, and (vi) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of CRR Regulation.

The engagement letter reflects the provisions of the BoI 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 or about 8 October 2019, *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 or about 8 October 2019, 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 Law 130, MEF Decree and the BoI 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 a Notice to Pay 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 an Acceleration Notice on the Guarantor.

Following the service of a Notice to Pay 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 Post-Issuer Event of Default 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 a Notice to Pay 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 MEF Decree, 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 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 an Acceleration 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 an Acceleration 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 an Acceleration Notice 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-Guarantor Event of Default 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 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 a Notice to Pay 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 MEF Decree, the rights of the Covered Bondholders against the Issuer and any amount recovered from the Issuer will be part of the 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 1 October 2019, the Seller (in its capacity as Subordinated Loan Provider) and the Guarantor entered into a Subordinated Loan Agreement pursuant to article 7-*bis* of the Law 130 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 Integration Assets from the Seller pursuant to the terms of the Master Transfer Agreement and the Cover Pool Administration Agreement.

Pursuant to the Subordinated Loan Agreement, the Subordinated Loan Provider has acknowledged its undertakings (i) pursuant to the Cover Pool Administration Agreement, to transfer further Eligible Assets and/or Integration 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 Transfer 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 Transfer Agreement.

The obligation of the Seller (in its capacity as Subordinated Loan Provider) 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 Integration Assets funded by means of the Term Loan.

On each Guarantor Payment Date and subject to the Subordinated Loan Provider having paid to the Guarantor any shortfall amount, the Guarantor will pay to the Subordinated Loan Provider the amount of the Premium, if any, payable to such Subordinated Loan Provider 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 a Notice to Pay, each Term Loan shall be repaid on each Guarantor Payment Date subject to the written request of the Subordinated Loan Provider and the Issuer, according to the Pre-Issuer Event of Default Principal Priority of Payments and within the limits of the then Available Funds, provided that such repayment does not result in a breach of any of the Tests.

Following the service of a Notice to Pay, the Term Loans shall be repaid within the limits of the Available Funds subject to the repayment in full (or, prior to the service of an Acceleration 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 Loan Provider pursuant to the Subordinated Loan Agreement shall be considered automatically offset against the amounts due by the Subordinated Loan Provider as a result of the enforcement of the Guarantee.

#### *Governing law*

The Subordinated Loan Agreement is governed by Italian law.

#### **Master Transfer Agreement**

On 1 October 2019 the Seller and the Guarantor entered into the Master Transfer Agreement, 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 Integration Assets that shall form part of the Cover Pool, in accordance with articles 4 and 7-bis of the Law 130 and article 2 of MEF Decree.

Under the Master Transfer 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 Administration 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 Integration Assets provided for by MEF Decree and the BoI 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 Transfer Agreement, prior to the delivery to the Issuer and the Guarantor of a Notice to Pay, 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 Transfer Agreement. Under the Master Transfer 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 Transfer 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 Loan Provider 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 the Master Transfer Agreement). Receivables comprised in any New Portfolio to be transferred under the Master Transfer Agreement shall meet, in addition to the Common Criteria, the relevant specific criteria and/or any further criteria.

Pursuant to the Master Transfer 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 Transfer Agreement.

After the service of a Notice to Pay, the Guarantor will, prior to disposing of the Eligible Assets or Integration Assets pursuant to the terms of the Cover Pool Administration 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 Administration 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 Administration 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 Transfer Agreement is governed by Italian law.

#### **Warranty and Indemnity Agreement**

On 1 October 2019, 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 Transfer 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 Transfer 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 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 1 October 2019, the Servicer and the Guarantor entered into the Servicing Agreement, pursuant to which the Guarantor has appointed Banca Popolare dell'Alto Adige S.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 Law 130 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 Law 130.

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 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) the representation and warranties given by the Servicer under the Servicing Agreement are false or misleading in any material respect and this has a substantially negative effect on the Guarantor and/or the Programme;
- (v) it becomes unlawful for the Servicer to perform or comply with any of its obligations under the Servicing Agreement;
- (vi) the Servicer is or will be unable to meet the current or future legal requirements and the BoI Regulations for entities acting as servicers in the context of a covered bonds transaction.

In addition, the Guarantor has appointed Securitisation Services S.p.A. as Back-Up Servicer Facilitator. If the Long Term Issuer Default Rating falls below “BB” by Fitch, the Guarantor, with the support of the Back-up Servicer Facilitator and in collaboration with the Servicer, will make reasonable efforts to appoint a Back-up Servicer, within 45 (forty five) calendar days from the moment on which the Long Term Issuer Default Rating of the Servicer falls below “BB” by Fitch.

#### *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 or about 8 October 2019, the Guarantor and the Other Creditors entered into the Intercreditor Agreement. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the 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*:

- (i) the order of priority of payments to be made out of the Available Funds;
- (ii) 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
- (iii) that the Covered Bondholders and the Other Creditors have a claim against the Guarantor only to the extent of the Available Funds.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of an Acceleration 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 or about 8 October 2019, 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 a Notice to Pay, *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 a Notice to Pay, 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 Administration 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 a Notice to Pay, 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 a Notice to Pay 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 Management and Agency Agreement**

On or about 8 October 2019, 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 Management and Agency Agreement.

Under the terms of the Cash Management and Agency Agreement:

- (i) the Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Collection Account, the Reserve Account, the Expenses Account, the Securities 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 Management and Agency 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 Management and Agency 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 Management and Agency 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 Management and Agency 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 Management and Agency Agreement.

#### *Governing law*

The Cash Management and Agency Agreement is governed by Italian law.

#### **Cover Pool Administration Agreement**

On or about 8 October 2019, 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 Administration 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 Administration 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 prior to the Servicer of a Notice to Pay each of the Statutory Tests and Asset Coverage Test is met with respect to the Cover Pool. In addition, on each Test Calculation Date (or on each Monthly Test Calculation Date, as applicable) following the service of a Notice to Pay (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 an Acceleration 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.

The Test Calculation Agent has agreed to prepare and deliver to the Issuer, the Seller, the Guarantor, the Guarantor Calculation Agent, the Representative of the Covered Bondholders, the Rating Agency 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 Administration Agreement) the Amortisation Test and other information such as, *inter alia*, the Integration 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 Integration 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 Administration Agreement, during the period starting on the date on which the breach is notified by the Test Calculation Agent and ending on the following Test Calculation Date (the "**Test Grace Period**"), the Guarantor will purchase Eligible Assets and/or Integration Assets, to be transferred by the Seller 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 and/or in the Cover Pool for Statutory Tests, as the case may be provided that, in accordance with Clause 4.5 of the Cover Pool Administration 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 Administration Agreement during the applicable Test Grace Period.

The parties to the Cover Pool Administration Agreement have acknowledged that, at any time prior to the delivery of a Notice to Pay, the aggregate amount of Integration Assets included in the Cover Pool may not exceed 15 per cent. of the aggregate Outstanding Principal of the Cover Pool, pursuant to the combined provisions of MEF Decree and the BoI Regulations. In this respect, the Test Calculation Agent has undertaken to determine, on each Test Calculation Date, the amount of Integration Assets (including any Collections and Recoveries and other cash flows deriving from the Eligible Assets and/or Integration Assets already transferred to the Guarantor) forming part of the Cover Pool in order to perform the Tests and to report such calculation in each Test Performance Report.

Should the result from any Test Performance Report show that the aggregate amount of Integration Assets included in the Cover Pool is in excess of 15% (fifteen per cent.) of the aggregate Outstanding

Principal of the Cover Pool, then the Seller shall, during the 2<sup>nd</sup> (second) following Calculation Period, transfer to the Guarantor New Portfolio(s) of Eligible Assets in an aggregate amount at least equal to the Relevant Integration Assets Excess; provided however that such transfer will not be necessary if the aggregate amount of (i) Integration 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 Integration Assets Excess**") has been cured in full on or prior to the 1<sup>st</sup> (first) following Test 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, it being understood that such repayment shall be requested by the Seller providing a prior written notice to the Guarantor in this respect and provided further that such repayment shall occur on the second Guarantor Payment Date immediately following the delivery of the Test Performance Report showing that the aggregate amount of Integration Assets included in the Cover Pool is in excess of 15% (fifteen per cent.) of the aggregate Outstanding Principal of the Cover Pool.

The purchase price of New Portfolio(s) of Eligible Assets so transferred shall be financed (i) in accordance with the provisions of Clause 3.5 (*Cessione di Nuovi Portafogli finanziati con i Fondi Disponibili in Conto Capitale*) of the Master Transfer 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 Integration Assets Excess is cured, the Relevant Integration Assets Excess would not be computed for the purposes of the calculation of the Statutory Tests and the Asset Coverage Test pursuant to this Agreement.

The Parties have also acknowledged and agreed that, following the delivery of a Notice to Pay on the Issuer and the Guarantor, any Collections and Recoveries and other cash flows deriving from the Eligible Assets and/or Integration Assets transferred to the Guarantor may then exceed the 15 per cent. limit of the aggregate Outstanding Principal Balance of the Cover Pool and the above provisions shall cease to apply, provided however that, should the Notice to Pay 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 Loan Provider, 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 Integration 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 Integration 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 Administration Agreement during the applicable Test Grace Period,

then the Representative of the Covered Bondholders will deliver, as the case may be:

- (i) a Notice to Pay to the Issuer and the Guarantor; or
- (ii) an Acceleration Notice on the Guarantor, if a Notice to Pay has already been served (provided that, should such Notice to Pay 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 a Notice to Pay or an Acceleration 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 a Notice to Pay on the Issuer and the Guarantor, but prior to the service of an Acceleration Notice, the Guarantor (also through the Servicer, pursuant to Clause 2.5.2 of the Servicing Agreement) will sell, refinance or otherwise liquidate the Eligible Assets and Integration Assets included in the Cover Pool in accordance with Clause 5 of the Cover Pool Administration Agreement, subject to the rights of pre-emption in favour of the Issuer to buy such Eligible Assets and, if applicable, Integration Assets pursuant to the Master Transfer 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 of the Cover Pool for Statutory Tests 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 Integration 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:

- (c) the Outstanding Principal Amount in respect of the Earliest Maturing Covered Bonds, multiplied by  $1 + (\text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series of Covered Bonds} / 365))$ ; *minus*
- (d) amounts standing to the credit of the Collection Account, the Payment Account and the Reserve Account; *minus*
- (e) the principal amount of any Integration 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 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 Integration 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 Administration 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 Transfer 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 a Notice to Pay 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 an Acceleration 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 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 Administration Agreement is governed by Italian law.

#### **The Swap Agreements**

The Guarantor may enter into one or more Swap Agreements on or about the Issue Date of a Series of Covered Bonds with one or more Covered Bond Swap Counterparty 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 Swap Agreements entered into on each Issue Date shall be linked to the Outstanding Principal Amount of the relevant Series of Covered Bonds.

#### ***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 Covered Bond Swap Counterparty, 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 Covered Bond Swap Counterparty 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 will be governed by English Law.

#### **Mandate Agreement**

On or about 8 October 2019, 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 an Acceleration 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 or about 8 October 2019, 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 Law 130 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 an Acceleration Notice.

*Governing law*

The Deed of Pledge is governed by Italian law.

**Deed of Charge**

The Guarantor shall enter 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 Law 130 and the Deed of Pledge securing the discharge of the Guarantor's obligations to the Covered Bondholders and the Other Creditors, the Guarantor may charge and assign 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 that may be created pursuant to the Deed of Charge will become enforceable upon the service of an Acceleration Notice.

*Governing law*

The Deed of Charge shall be governed by English law.

**Corporate Services Agreement**

On or about 8 October 2019, 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 a Notice to Pay 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 an Acceleration 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 a Notice to Pay 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 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 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 Administration Agreement, the Issuer must ensure that, on each Test Calculation Date prior to service of a Notice to Pay, 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 Integration 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 Transfer Agreement and the Cover Pool Administration 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 MEF Decree (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 Test Calculation Date.

### ***Nominal Value Test***

The outstanding aggregate principal balance of the Cover Pool for Statutory Tests 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 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 higher than or equal to the Euro Equivalent amount of the Outstanding Principal Amount of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the Conditions and the relevant Final Terms at the relevant Test Calculation Date or Monthly Test Calculation Date, as the case may be (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 and, to the extent that on any such Test Calculation Date or Monthly Test Calculation Date, as the case may be, the Net Present Value Test was breached, on any following Monthly Test Calculation Date until the end of the relevant Test Grace Period, that the Net Present Value Test is met with respect to the Cover Pool for Statutory Tests.

The Net Present Value of the Cover Pool for Statutory Tests shall be higher than or equal to the “Net Present Value of the Euro Equivalent amount of the Covered Bonds” at the relevant Test Calculation Date or Monthly Test Calculation Date (the “**NPV Test**”) where

“**Net Present Value of the Cover Pool for Statutory Tests**” 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 Cover Pool for Statutory Tests; 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 Euro Equivalent amount of the Covered Bonds**” is, on each Test Calculation Date or Monthly Test Calculation Date, as the case may be, 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 outstanding Series of the Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with the Conditions and the relevant Final Terms at the relevant Test Calculation Date or Monthly Test Calculation Date, as the case may be.

“**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 Administration Agreement and the other Programme Documents, as the case may be.

“**Swap Curve**” means the term structure of interest rates used by the Test Calculation Agent in accordance with the best market practice and calculation based on market instruments.

### ***Interest Coverage Test***

The Net Interest Collection of the Cover Pool for Statutory Tests (until the latest Maturity Date of the outstanding Covered Bonds) shall be higher than or equal to the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms at the relevant Test Calculation Date or Monthly Test Calculation Date, as the case may be (the “**Interest Coverage Test**”), where :

“**Net Interest Collections from the Cover Pool for Statutory Tests**” 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 Cover Pool for Statutory Tests 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 Cover Pool for Statutory Tests in each and all respective Calculation Periods) and any amount of interest accrued on the Collection Account, the Reserve Account and the Guarantor Payments Account and any additional cash flows expected to be deposited in the Collection Account, the Reserve 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 under the Swap Agreements;
- (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 a Notice to Pay 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, that 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 Article 2.6 (*Asset Coverage Test*) of the Cover Pool Administration Agreement, the “**Adjusted Aggregate Loan Amount**” means an amount calculated in accordance with the following formula:

$$\mathbf{J+K+L-M-N-O}$$

where

“**J**” 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 Cover Pool for Statutory Tests as at any given date, calculated as the lower of:
  - (1) the actual Outstanding Principal of the relevant Mortgage Loan in the Cover Pool for Statutory Tests as at the last day of the immediately preceding Collection Period; and
  - (2) the Latest Valuation relating to that 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 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 Cover Pool for Statutory Tests if any of the following occurred during the immediately preceding Collection Period:

- (A) a 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 Mortgage Loan an “**Affected Loan**”). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Cover Pool for Statutory Tests (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 Transfer Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Cover Pool for Statutory Tests (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 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 Mortgage Loans in the Cover Pool for Statutory Tests as at any given date which in relation to each Mortgage Loan shall be calculated as the lower of (1) the actual Outstanding Principal of the relevant Mortgage Loan as calculated on the last day of the immediately preceding Collection Period, and (2) the Latest Valuation relating to that Mortgage Loan as at such date multiplied by N (where N is equal to (a) 100 per cent. for all Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 40 per cent for 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 of the Mortgage Loans shall include the Outstanding Principal with reference to the relevant Valuation Date of any New Portfolio sold after the last day of the Collection Period and prior to the relevant Test Calculation Date (or Monthly Test Calculation Date, as the case may be), to the extent that (i) the calculation are made during a Test Grace Period or (ii) 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 Transfer 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.

“**K**” is equal to the aggregate amount of all sums standing to the credit of the Collection Account, the Reserve 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 “**L**” below, 15 per cent. of the nominal amount of the aggregate Cover Pool as at such date;

“**L**” is equal to the aggregate Outstanding Principal Balance of any Integration 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;

“**M**” is equal to the Potential Set-Off Amount.

“**N**” 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, meaning that (a) during the Payment Holiday for each Mortgage Loan is equal to a

fixed amount calculated as the sum of the principal component of each deferred instalment and that (b) after the end of the Payment Holiday the amount is equal to zero;

“**O**” 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 Administration 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 (after procuring the level of *overcollateralization* in line with the target rating) and notified using the *pro-forma* notice attached under Schedule 1 of the Cover Pool Administration Agreement to the Guarantor, the Guarantor Calculation Agent, the Servicer, the Rating Agency and the Representative of the Covered Bondholders.

“**Payment Holiday**” means in respect of a Mortgage Loan, the period of deferral of the payment of (a) its interest and principal instalments or (b) its 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 a Notice to Pay on the Issuer and on the Guarantor (but prior to service on the Guarantor of an Acceleration 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 (or on each Monthly Test Calculation Date, as applicable), the Amortisation Test Aggregate Loan Amount is an amount at least equal to the Euro Equivalent of the Outstanding Principal Amount of the issued Covered Bonds. 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 Administration Agreement during the applicable Test Grace Period, an Acceleration 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 an Acceleration Notice, the Guarantor will be required to make payments in accordance with the Post-Guarantor Event of Default Priority of Payments.

The “**Amortisation Test Aggregate Loan Amount**” will be calculated on each Test Calculation Date and/or Monthly Test Calculation Date, by applying the following formula:

$$A+B+C-Z$$

where,

“**A**” stands for the “**Adjusted Outstanding Principal Balance**” of each Mortgage Loan in the Cover Pool as at the relevant Test Calculation Date, defined as the lower of:

- (i) the actual Outstanding Principal of each 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 Mortgage Loan multiplied by M,

where M is equal to (a) 100 per cent., for all Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 85 per cent. for all Mortgage Loans that are more than 90 days 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 of the Mortgage Loans in the Cover Pool if any of the following occurred during the immediately preceding Collection Period:

- (I) a Mortgage Loan was, in the immediately preceding Collection Period, an Affected Loan. In this event, the aggregate Outstanding Principal of the Mortgage Loans in the Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Outstanding Principal of the relevant Affected Loans (as calculated on the last day of the immediately preceding Calculation Period) multiplied by M (where M is equal to (a) 100 per cent., for all Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 85 per cent. for all Mortgage Loans that are more than 90 days 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 Transfer Agreement and/or the Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate Outstanding Principal of the Mortgage Loans in the Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced, by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period in respect of such 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 Account and Guarantor Payments Account and the principal amount of any Integration 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 Cover Pool up to the end of the immediately preceding Collection Period which have not been provisioned as at the relevant Test Calculation Date to acquire further New Portfolio and/or Integration 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 Account***

The Reserve Account is held in the name of the Guarantor for the purpose of setting aside, on each Guarantor Payment Date, the relevant Required Reserve Amount. Such Required Reserve Amount will be determined on each Guarantor Payment 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:

- (iii) (A) interest accruing in respect of all outstanding Series of Covered Bonds during the immediately following Guarantor Payment Period (such that, (a) if Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the net amount due to the Covered Bond Swap Counterparty or the amount due to the Covered Bondholders of such Series, (b) if Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due to the Covered Bondholders of such Series and (c) if 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 Swap Agreement, the higher of the amount due to the Covered Bond Swap Counterparty 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 to the Covered Bondholders of such Series in each case as calculated by the Guarantor Calculation Agent on or prior to each Guarantor Calculation Date, *plus* (B) prior to the service of a Notice to Pay, the aggregate amount to be paid by the Guarantor on the next two Guarantor Payment Dates following the relevant Guarantor Calculation Date in respect of the items (*First*) to (*Third*) (each inclusive) of the Pre- Issuer Event of Default Interest Priority of Payments; *plus*
- (iv) 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 a Notice to Pay 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, on each Guarantor Payment Date, the aggregate of:

- (a) any interest collected by the Servicer in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (b) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;
- (c) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) any amounts other than in respect of principal received under the Swap Agreements (other than any Swap Collateral);
- (f) any swap termination payments received from a Covered Bond Swap Counterparty under a Swap Agreement, provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a Replacement Covered Bond Swap Counterparty to enter into a Replacement Swap Agreement, unless a Replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;
- (g) prior to the service of a Notice to Pay on the Guarantor amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount and following the service of a Notice to Pay on the Guarantor, any amounts standing to the credit of the Reserve Account;
- (h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (i) the interest amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period.

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

- (a) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;

- (b) all other recoveries in the nature of principal collected by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (c) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) without duplication with other items of this definition, all principal proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;
- (f) all amounts in respect of principal (if any) received under any Swap Agreement (other than the Swap Collateral);
- (g) any amounts to be transferred pursuant to item (vi) of the Pre-Issuer Event of Default Interest Priority of Payments;
- (h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (i) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period;
- (j) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts.

***Pre-Issuer Event of Default Interest Priority of Payments***

On each Guarantor Payment Date, prior to the service of a Notice to Pay on the Issuer and the Guarantor, the Guarantor will use the Interest Available Funds to make payments or to make provisions (the "**Pre-Issuer Event of Default Interest Priority of Payments**") towards payments due before the following Guarantor Payment Date in the order of priority set out below (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *First*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Guarantor, to the extent that such sums are not met by utilising the amounts standing to the credit of the Expense Account;
- (ii) *Second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any Guarantor's documented fees, costs, expenses, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation (the "**Expenses**"), to the extent that such costs and expenses are not met by utilising the amount standing to the credit of the Expense Account and to credit the amount necessary to replenish the Expense Account up to the Expense Required Amount;
- (iii) *Third*, to pay, in the following order any amount due and payable (including, but not limited to, fees, costs and expenses):
  - (A) the Representative of the Covered Bondholders;
  - (B) *pari passu* and *pro rata* according to the respective amounts thereof, the Guarantor Calculation Agent, the Paying Agents, the Cash Manager, the Account Bank, the

Portfolio Manager (if any), the Servicer, the Corporate Servicer, the Stichting Corporate Services Provider, the Back-Up Servicer Facilitator, the Test Calculation Agent and the Asset Monitor;

- (iv) *Fourth*, to pay interest amounts due and payable to the Covered Bond Swap Counterparty (if any), *pro rata* and *pari passu* in respect of each relevant Swap Agreement (including any termination payment due and payable by the Guarantor except the Excluded Swap Termination Amount);
- (v) *Fifth*, to credit to the Reserve Account an amount required to ensure that the Reserve Account is funded up to the Required Reserve Amount, as calculated on the immediately preceding Guarantor Calculation Date;
- (vi) *Sixth*, to allocate to the credit of the Principal Available Funds an amount equal to the amounts paid under item (i) of the Pre-Issuer Event of Default Principal Priority of Payments in the preceding Guarantor Payment Dates and not yet repaid under this item;
- (vii) *Seventh*, to pay *pari passu* and *pro rata* any Base Interest due and payable on each Guarantor Payment Date to the Seller pursuant to the terms of the Subordinated Loan Agreement ;
- (viii) *Eighth*, upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Collection Account until such Servicer Termination Event is either remedied or waived by the Representative of the Covered Bondholders or a new servicer is appointed;
- (ix) *Ninth*, to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Excluded Swap Termination Amount; and
- (x) *Tenth*, to pay any Premium Interest on the Subordinated Loan, provided that no breach of Tests has occurred and is continuing.

For the avoidance of doubt any Swap Collateral Excluded Amounts will be paid to the Covered Bond Swap Counterparty pursuant to the terms of the relevant Swap Agreement directly and not under the Priority of Payments.

#### **Pre-Issuer Event of Default Principal Priority of Payments**

On each Guarantor Payment Date, prior to the service of a Notice to Pay on the Issuer and the Guarantor, the Guarantor will use the Principal Available Funds to make payments or to make provisions (the "**Pre-Issuer Event of Default Principal Priority of Payments**") towards payments due before the following Guarantor Payment Date in the order of priority set out below (in each case only if and to the extent that payments of provisions of a higher priority have been made in full):

- (i) *First*, to pay any amount due and payable under items (i) to (v) of the Pre-Issuer Event of Default Interest Priority of Payments, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;
- (ii) *Second*, to pay or make provision for payment of, *pro rata* and *pari passu*, the purchase price for the acquisition of the Subsequent Receivables of Eligible Assets and/or Integration Assets (other than those funded through the proceeds of the Subordinated Loan);
- (iii) *Third*, to pay, *pro rata* and *pari passu*:
  - (a) any principal amounts due or to become due and payable to the relevant Covered Bond Counterparties *pro rata* and *pari passu* in respect of each relevant Swap Agreement

(including any termination payment due and payable by the Guarantor except the Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and

- (b) the amounts (in respect of principal) due or to become due and payable under the Subordinated Loan provided that in any case the Asset Coverage Test and the Statutory Tests are still satisfied after such payment and where applicable, provided that no amounts shall be applied to make a payment in respect of the Subordinated Loan if the principal amounts outstanding under the relevant Series or Tranche of Covered Bonds which have fallen due for payment on such Guarantor Payment Date have not been repaid in full by the Issuer;
- (c) to the extent that the Subordinated Loan Provider has not received amounts as repayment of the Subordinated Loan under item *Third* above, to deposit the relevant amounts in the Collection Account.

For the avoidance of doubt any Swap Collateral Excluded Amounts will be paid to the Covered Bond Swap Counterparty pursuant to the terms of the relevant Swap Agreement directly and not under the Priority of Payments.

***Post-Issuer Event of Default Priority of Payments***

On each Guarantor Payment Date, following an Issuer Event of Default and the service of a Notice to Pay on the Issuer and the Guarantor, but prior to the occurrence of a Guarantor Event of Default, the Guarantor will use the Available Funds to make payments or to make provisions (the “**Post-Issuer Event of Default Priority of Payments**”) towards payments due before the following Guarantor Payment Date in the order of priority set out below (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (i) *First*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation and to credit the amount necessary to replenish the Expense Account up to the Expense Required Amount;
- (ii) *Second*, to pay, in the following order any amount due and payable to:
  - (A) *the* Representative of the Covered Bondholders;
  - (B) *pari passu* and *pro rata* according to the respective amounts thereof, the Guarantor Calculation Agent, the Paying Agents, the Cash Manager, the Account Bank, the Portfolio Manager (if any), the Servicer, the Corporate Servicer, the Stichting Corporate Services Provider, the Back-Up Servicer Facilitator, the Test Calculation Agent and the Asset Monitor;
- (iii) *Third*, to pay *pro rata* and *pari passu*:
  - a) interest payments due to the Covered Bond Swap Counterparty (including any termination payment due and payable by the Guarantor but excluding any Excluded Swap Termination Amount);
  - b) any interest amount due and payable on each Series of Covered Bonds;
- (iv) *Fourth*, to pay *pro rata* and *pari passu*: a) principal payments due to the Covered Bond Swap Counterparty (including any termination payment due and payable by the Guarantor but

excluding any Excluded Swap Termination Amount); and b) any amount due and payable as principal on the Covered Bonds;

- (v) *Fifth*, to deposit on the Reserve Account any residual amount until all Covered Bonds are fully repaid or until an amount equal to the Redemption Amount for each Series of Covered Bonds outstanding has been accumulated;
- (vi) *Sixth*, after each Series or Tranche of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Reserve Amount has been accumulated into the Reserve Account in respect of each outstanding Series or Tranche of Covered Bonds) to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;
- (vii) *Seventh*, to pay to the Seller any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items above; and
- (viii) *Eighth*, after the Covered Bonds have been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Reserve Amount has been accumulated into the Reserve Account in respect of each outstanding Series or Tranche of Covered Bonds) any remaining moneys will be applied in and towards repayment in full of amounts outstanding under the Subordinated Loan Agreement.

#### **Post-Guarantor Event of Default Priority of Payments**

On each Guarantor Payment Date, following a Guarantor Event of Default and the service of an Acceleration Notice, the Available Funds will be used to make payments in the order of priority set out below (the “**Post-Guarantor Event of Default 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):

- (i) *First*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes and to credit the amount necessary to replenish the Expense Account up to the Expense Required Amount;
- (ii) *Second*, to pay, in the following order any amount due and payable:
  - (A) the Representative of the Covered Bondholders;
  - (B) *pari passu* and *pro rata* according to the respective amounts thereof, the Guarantor Calculation Agent, the Paying Agents, the Cash Manager, the Account Bank, the Portfolio Manager (if any), the Servicer, the Corporate Servicer, the Stichting Corporate Services Provider, the Back-Up Servicer Facilitator, the Test Calculation Agent and the Asset Monitor;
- (iii) *Third*, to pay *pro rata* and *pari passu*:
  - a) principal and interests due to the Covered Bond Swap Counterparty (including any termination payment due and payable by the Guarantor but excluding any Excluded Swap Termination Amount); and
  - b) any principal and interest amount due and payable on each Series of Covered Bonds;
- (iv) *Fourth*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;
- (v) *Fifth*, to pay to the Seller any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items above;

- (vi) *Sixth*, to pay any remaining moneys towards repayment of amounts outstanding 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 Transfer Agreement and (ii) any other Eligible Assets and Integration 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 Transfer Agreement, as more fully described under "*Overview of the Programme Documents — Master Transfer Agreement*".

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 Transfer Agreement;

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

### **Eligibility Criteria**

The sale of Loans and their Related Security and the transfer of any other Eligible Asset or Integration 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.

Mortgage Loans are considered eligible assets (*attivi idonei* or "**Eligible Assets**").

"**Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of MEF Decree, any residential mortgage loan which has 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.

### ***Eligibility Criteria for Mortgage Loans***

Under the Master Transfer Agreement, the Seller and the Guarantor have agreed the following common criteria (the "**Common Criteria**") (see "*Overview of the Programme Documents — Master Transfer Agreement*" above) that will be applied in selecting the Mortgage Loans that will be transferred thereunder to the Guarantor:

Receivables which as at the Valuation Date satisfy the following Common Criteria:

- i. residential mortgage receivables (i) 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 MEF Decree, 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;
- ii. receivables 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;

- iii. receivables which have been drawn or purchased by BPAA;
- iv. receivables which are governed by Italian law;
- v. receivables which are performing;
- vi. receivables in relation to which no instalments outstanding for more than 30 days from the due payment date subsist;
- vii. receivables in respect of which the debtor has paid at least one instalment (also considering an interest instalment only);
- viii. which provide for all payments on behalf of the debtor to be made in Euro;
- ix. receivables which provide for the reimbursement of principal and the payment of interest through monthly, bimonthly, quarterly or semi-annual instalments;
- x. receivables which have been fully disbursed;
- xi. receivables which have been granted to an individual or more individuals jointly;
- xii. receivables which bear a floating interest rate (including a floating interest rate with a cap) or a fixed interest rate or a floating/fixed interest rate with a switch option from floating to fixed and vice versa;
- xiii. receivables secured by an economic first ranking mortgage which is (i) a legal first ranking mortgage, or (ii) (A) mortgage ranking subordinated to the legal first ranking mortgages, provided that all obligations secured by mortgage/mortgages with a prevailing ranking, had been fully satisfied; (b) mortgages ranking subordinated to the legal first ranking provided that all mortgages with prevailing ranking are registered in favour of the Seller as a security for claims that satisfy all the other Criteria related to the Seller;
- xiv. receivables in respect of which the outstanding principal as at the Valuation Date is lower than Euro 10,000,000;
- xv. which do not include any clauses limiting the possibility for Banca Popolare dell'Alto Adige S.p.A. to assign the receivables arising thereunder or providing the debtor's consent for such assignment, Banca Popolare dell'Alto Adige S.p.A. has obtained such consent;

## DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

*The following is a general description of the Law 130 (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 Law 130***

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- i. Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as amended and supplemented from time to time, the "**Law 130**");
- ii. the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under MEF Decree (the "**MEF Regulation**");
- iii. the C.I.C.R. Decree dated 12 April 2007; and
- iv. Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**BoI Regulation**").

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Law 130 by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Law 130 was further amended by Law Decree no. 145 of 23 December 2013 as converted with amendments into Law n. 9 of 21 February 2014, by Law Decree no. 91 of 24 June 2014 as converted with amendments into Law No. 116 of 11 August 2014 and by Law Decree no. 34 of 30 April 2019, as converted with amendments into Law No. 58 of 28 June 2019.

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<sup>th</sup> 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 BoI Regulations introduced provisions, among other things, regulating:

- i. the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;
- ii. limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- iii. criteria to be adopted in the integration of the assets constituting the cover pools;

- iv. the identification of the cases in which the integration is permitted and its limits; and
- v. monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

#### ***Basic structure of a covered bond issue***

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- i. a bank transfers a pool of eligible assets (*i.e.* the cover pool) to an Article 7-*bis* special purpose vehicle (the "SPV");
- ii. the bank grants the SPV a subordinated loan in order to fund the payment by the SPV of the purchase price due for the cover pool;
- iii. the bank 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 and the hedging counterparties involved in the Transaction. The Covered Bond 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 Law 130, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the SPV is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchaser of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

#### ***The guarantee***

The MEF Regulation provides that the guarantee issued by the 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 amount recovered by the SPV from the bankruptcy of the issuer become part of the cover pool.

Finally, if a moratorium is imposed on the issuer's payments, the SPV will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The SPV will then have recourse against the issuer for any such payments.

### ***Segregation and subordination***

Article 7-bis provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds 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 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 Bankruptcy Law (Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the SPV may not be subject to any claw-back action according to Article 65 of the Bankruptcy Law.

### ***The issuing bank***

The BoI 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 not less than 9 per cent.

Banks not complying with the above mentioned requirements may set up covered bond programmes only prior notice to the Bank of Italy, which may start an administrative process to assess the compliance with the required requirements.

The BoI 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 BoI 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:

<b>Ratios</b>		<b>Transfer Limitations</b>
“A” range	Tier 1 ratio > 9%	No limitations
	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 BoI 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.

In addition to the above, certain further amendments have been introduced in respect of the monitoring activities to be performed by the asset monitor.

### ***The Cover Pool***

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-bis, see "*Description of the Cover Pool – Eligibility Criteria*".

Ratio between cover pool value and covered bond outstanding amount.

The 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 BoI Regulations, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The BoI Regulations require banks to carry out the monitoring activities described above at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12-months the monitoring activity carried out with respect to each covered bond transaction, basing such review, among other things, on the evaluations supplied by the asset monitor.

In addition to the above, pursuant to the BoI Regulations provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of the CRR.

In order to ensure that the monitoring activities above may be appropriately implemented, the BoI 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 BoI 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 BoI 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 BoI 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 BoI 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.

### ***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.

To solve such a contrast between different Italian Supreme Court (*Corte di Cassazione*) decisions, a recent decision by the Italian Supreme Court (*Corte di Cassazione*) joint sections (*Sezioni Unite*) (n. 24675 dated 18 July 2017) finally stated that interest rates which were compliant with the Usury Rate as at the time of the execution of the financing agreements but exceeded such threshold thereafter, are lawful also from a civil law perspective falling outside of the scope of the Usury Law. In this respect, due to the recent date of this last decision, it remains unclear how such decision will be applied by the merit courts.

### ***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 17 bis of law decree 18 of 14 February 2016 as converted into Law no. 49 of 8 April 2016 amended article 120, paragraph 2, of the Consolidated Banking Act, providing that the accrued interest shall not produce further interests, except for default interests, and are calculated exclusively on the principal amount. On 8 August 2016, the decree no. 343 of 3 August 2016 issued by the Minister of Economy and Finance, in his quality of President of the CICR, implementing article 120, paragraph 2, of the Banking Law, has been published. 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.



## TAXATION

Prospective purchasers of Covered Bonds are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Covered Bonds, including, but not limited to, the consequences of receipt of payments under the Covered Bonds and their disposal or redemption.

### **Italian taxation**

The following is an overview of current Italian law and practice relating to the taxation of the Covered Bonds. The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each Covered Bondholder: as a consequence they should consult their tax advisers as to the consequences under Italian tax law and under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Covered Bonds and receiving payments of interest, principal and/or other amounts under the securities, including in particular the effect of any state, regional or local tax laws.

The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds. This overview does not describe the tax consequences for an investor with respect to Covered Bonds that provide payout linked to the profits of the Issuer, profits of other company of the group or profits of the business in relation to which they are issued.

### **Interest and other proceeds from Covered Bonds that qualify as bonds or instruments similar to bonds**

Legislative Decree No. 239 of 1 April 1996 (“**Decree No. 239**”), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from certain securities issued, *inter alia*, by Italian resident banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

For these purposes, debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued nor any type of control on the management.

### **Italian resident Covered Bondholders**

Where an Italian resident Covered Bondholder is (a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless he has opted for the application of the “*risparmio gestito*” regime – see “*Capital Gains Tax*” below), (b) a non-commercial partnership, pursuant to article 5 of the Italian Income Consolidated Code (“**TUIR**”) (with the exception of general partnership, limited partnership and similar entities) (c) a non-commercial private or public institution, or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income

(other than capital gains) (“**Interest**”) relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26%. In the event that the Covered Bondholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Covered Bonds if the Covered Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 as subsequently amended (the “**Finance Act 2017**”) and in Article 1 (211-215) of Law No. 145 of 30 December 2018 (the “**Finance Act 2019**”), as implemented by the Ministerial Decree 30 April 2019.

Where an Italian resident Covered Bondholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*, but must be included in the relevant Covered Bondholder’s annual income tax return and are therefore subject to general Italian corporate taxation (“**IRES**”), generally levied at the rate of 24%. Banks and other financial institutions will be subject to an additional corporation tax levied at the rate of 3.5%. In certain circumstances, subject to the “status” of the Covered Bondholder, also regional tax on productive activities (“**IRAP**”) may apply. IRAP is generally levied at the rate of 3.9% while banks or other financial institutions will be subject to IRAP at the special rate of 4.65%; in any case regions may vary the IRAP rate by up to 0.92%.

If an investor is resident in Italy and is an open-ended or closed-ended investment fund subject to the tax regime provided by Law No. 77 of 23 March 1983 (the “**Fund**”), a SICAV or a SICAF and the Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva* but must be included in the management results of the Fund accrued at the end of each tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 (“**Decree 351**”), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (the “**Real Estate SICAFs**”) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF.

Where an Italian resident Covered Bondholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-

term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017 and in Article 1 (211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* (“SIMs”), fiduciary companies, *Società di gestione del risparmio* (“SGRs”), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an “**Intermediary**”) as subsequently amended and integrated.

An Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the *imposta sostitutiva*, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Covered Bondholder. If Interest on the Covered Bonds are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above will be required to include Interest in their yearly income tax return and subject them to a final substitute tax at a rate of 26%.

#### **Non-Italian resident Covered Bondholders**

Where the Covered Bondholder is a non-Italian resident, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an institutional investor that is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence; or, independently by the relevant country of tax residence, (c) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (d) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

It should be noted that, pursuant to Article 11 of Decree No. 239, the countries which allow for a satisfactory exchange of information with Italy are those countries listed in the Ministerial Decree of 4 September 1996, amended by Italian Ministerial Decree dated 23 March 2017, and as amended from time to time. Pursuant to Article 1-bis of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance holds the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries.

The *imposta sostitutiva* will be applicable at the rate of 26% to Interest accrued during the holding period, when the Covered Bondholders are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy. The *imposta sostitutiva* may be reduced by applicable double tax treaty, if any.

In order to ensure gross payment, non-Italian resident investors must be the beneficial owners of the payments of interest, premium or other proceeds and (a) deposit, directly or indirectly, the Covered

Bonds or the coupons with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 an Italian resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or a non-Italian resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Covered Bondholder, which remains valid until withdrawn or revoked, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

### **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 Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

### **Interest and other proceeds from Covered Bonds not having 100 per cent. capital protection**

In case Covered Bonds representing debt instruments implying a “use of capital” do not incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for interim payments) and/or they give any right to directly or indirectly participate in the management of the relevant Issuer or of the business in relation to which they are issued and/or any type of control on the management, Interest in respect of such Covered Bonds may be subject to a withholding tax, levied at the rate of 26%.

Where the Covered Bondholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected, (b) an Italian company or a similar Italian commercial entity pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities), (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax; in all other cases, including when the Covered Bondholder is a non-Italian resident, the withholding tax is a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant

to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Covered Bonds not having 100 per cent. capital protection guaranteed by the Issuer if such Covered Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 and in Article 1 (211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

In the case of non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected, the withholding tax may be reduced by the applicable double tax treaty, if any.

### **Capital Gains Tax**

Any gain obtained from the disposal of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Covered Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where an Italian resident Covered Bondholder is (i) an individual not holding the Covered Bonds in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Covered Bondholder from the disposal of the Covered Bonds would be subject to an *imposta sostitutiva*, levied at the rate of 26%. Under some conditions and limitations, Covered Bondholders may set off losses with gains. In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

- a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Covered Bondholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any offsettable capital loss, realised by the relevant Covered Bondholder pursuant to all disposals of the Covered Bonds carried out during any given tax year. These Covered Bondholders must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.
- b) As an alternative to the tax declaration regime, Italian resident individual Covered Bondholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each disposal of the Covered Bonds (the *risparmio amministrato* regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as subsequently amended, “**Decree No. 461**”). Such separate taxation of capital gains is allowed subject to (a) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being made timely in writing by the relevant Covered Bondholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each disposal of the Covered Bonds, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholder or using funds provided by the Covered

Bondholder for this purpose. Under the *risparmio amministrato* regime, where a disposal of the Covered Bonds results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Covered Bondholder is not required to declare the capital gains in the annual tax return.

- c) Any capital gains realised or accrued by Italian Covered Bondholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Covered Bonds, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26% substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Covered Bondholder is not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Covered Bonds if the Covered Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017 and in Article 1 (211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Any capital gains realised by a Covered Bondholder who is an Italian real estate fund to which the provisions of Decree 351, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Any capital gains realised by a Covered Bondholder which is a Fund (as defined above), a SICAV or a SICAF will be included in the results of the relevant portfolio accrued at the end of the tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Any capital gains realised by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Covered Bonds may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017 and in Article 1 (211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Capital gains realised by non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the disposal of Covered Bonds

issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Covered Bonds are transferred on regulated markets.

Capital gains realised by non-Italian resident Covered Bondholders not holding the Covered Bonds through a permanent establishment in Italy from the disposal of Covered Bonds not transferred on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

It should be noted that, pursuant to Article 11 of Decree No. 239, the countries which allow for a satisfactory exchange of information with Italy are those countries listed in the Ministerial Decree of 4 September 1996, amended by Italian Ministerial Decree dated 23 March 2017, and as amended from time to time. Pursuant to Article 1-bis of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance holds the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries.

If none of the conditions above are met, capital gains realised by non-Italian resident Covered Bondholders from the disposal of Covered Bonds issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26%.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are connected, who may benefit from a double taxation treaty with Italy providing that capital gains realised upon the disposal of Covered Bonds are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the disposal of Covered Bonds.

### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- b) transfers in favour of relatives to the fourth degree or relatives-in-law of a direct lineage or after relatives-in-law of a collated lineage up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- c) any other transfer, in principle, is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate, mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

### **Transfer tax**

Article 37 of Law Decree No. 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (a) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (b) private deeds are subject to registration tax only in case of use (*caso d'uso*), explicit reference (*enunciazione*) or voluntary registration.

### **Stamp duty**

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (“**Decree 201**”), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the securities deposited therewith. As of 1 January 2014, stamp duty applies at a rate of 0.20% and, for taxpayers different from individuals, cannot exceed €14,000. 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 securities held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

### **Wealth Tax on securities deposited abroad**

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the securities outside the Italian territory are required to pay an additional tax at a rate of 0.20% for each year.

This tax is calculated on the market value of the securities 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).

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, Covered Bonds characterised as debt (or which are not otherwise



characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Covered Bonds (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Covered Bonds.

### **The proposed European Union financial transaction tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Covered Bonds are advised to seek their own professional advice in relation to the EU FTT.

## 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 or about 8 October 2019, between, *inter alia*, the Issuer, the Guarantor and the Dealers. 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 Series or Tranche of Covered Bonds.

### **Selling restrictions**

#### **Public Offer Selling Restriction under the Prospectus Regulation**

If the Final Terms of any Covered Bond specifies “Prohibition of Sale to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Covered Bonds to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, (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 Regulation in that Member State, (ii) the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

#### ***Prohibition of Sales to EEA Retail Investors***

Unless the Final Terms in respect of any Series of Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds, as the case may be, which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of article 4(1) of the MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of article 4(1) of MiFID II; and
  - (iii) not a qualified investor as defined in the Prospectus Regulation.
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds, as the case may be, to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the case may be.

#### ***United States of America***

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds an offer or sale of such Covered Bonds within the United States of America by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### ***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 Regulation 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 dell’Alto Adige 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 dell'Alto Adige 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, of the European Communities (Markets in Financial Instruments) Regulations 2007 and the provisions of the Investor Compensation Act 1998, 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 2014/65/EU 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 in circumstances falling within Article 1(4) or 3(2) of the Prospectus Regulation, and in compliance with 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, as applicable.

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 the preceding paragraph above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1st September 1993, as amended (the “**Banking Law**”);
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable to the Dealer(s), pursuant to 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/ 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 Regulation by the *Commission de Surveillance du Secteur Financier* ("CSSF") in its capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Regulation. Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market or on the Professional Segment of the regulated market of the Luxembourg Stock Exchange

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

### **Authorisations**

The establishment of the Programme has been duly authorised by the resolutions of the management board of the Issuer respectively dated 7 September 2018, 9 November 2018, 21 December 2018, 10 May 2019, 30 August 2019 and 27 September 2019. The giving of the Covered Bond Guarantee and the establishment of the Programme has been duly authorised by the resolutions of the board of directors of the Guarantor dated 27 September 2019.

### **Issuer 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 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.

### **Guarantor Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Guarantor is aware), which may have, or have had since the date of its incorporation, a significant effect on the financial position or profitability of the Guarantor.

### **Trend Information**

Since 31 December 2018, there has been no material adverse change in the prospects of Banca Popolare dell'Alto Adige and the Banca Popolare dell'Alto Adige Group.

Since the date of incorporation of the Guarantor, 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 performance, financial position or trading position of Banca Popolare dell'Alto Adige and Banca Popolare dell'Alto Adige Group since 30 June 2019.

There has been no significant change in the financial performance, financial position or trading position of the Guarantor since its incorporation on 30 January 2019.

### **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 Regulation, 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).

### **Publication on the Internet**

This Base Prospectus, any supplement hereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu).

### **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 or on the Professional Segment of the regulated market of the Luxembourg Stock Exchange, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the Specified Office of the Luxembourg Listing Agent, namely:

- (i) the Programme Documents;
- (ii) the Issuer's memorandum of association (*Atto Costitutivo*) and by-laws (*Statuto*) as of the date hereof (which are available also on <https://www.volksbank.it/it/corporate-governance/documenti-societari>);
- (iii) the Guarantor's memorandum of association (*Atto Costitutivo*) and by-laws (*Statuto*) as of the date hereof (which are also available on <https://www.volksbank.it/it/investor-relations/covered-bonds>);
- (iv) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2017, together with the accompanying notes and auditors' report;
- (v) the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2018, together with the accompanying notes and auditors' report;
- (vi) Issuer's unaudited interim condensed non-consolidated financial statements and the relevant review report as at and for the six months ended on 30 June 2019;
- (vii) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (viii) 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 Specified Office of the Representative of the Covered Bondholders.

In any case, copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus will remain publicly available in electronic form for at least 10 years on <https://www.volksbank.it/it/investor-relations>.

### **Auditors**

The financial statements of the Issuer have been audited without qualification for the years ended 31 December 2017 and 31 December 2018 by BDO Italia S.p.A., Viale Abruzzi, 94, 20131 Milan, Italy,



included in the Register of Certified Auditors held by the Ministry for Economy and Finance – Stage general accounting office, at no. 167911, independent accountants.

### **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 Series or 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.

### **Websites**

Any website included in this Base Prospectus (i) is for information purpose only, (ii) do not form part of this Base Prospectus and (iii) have not been scrutinized or approved by the competent authority in order to comply with Article 10(1) of Commission Delegated Regulation (EU) 2019/979.

## GLOSSARY

"**Acceleration 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.

"**Acceptance**" means the notice sent by the Guarantor to the Subordinated Loan Provider, 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 other depositary institution that may be appointed as such pursuant to the Cash Management and Agency 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 Management and Agency Agreement.

"**Account Bank Report Date**" means the date falling on the first 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 Management and Agency Agreement.

"**Accounts**" means, collectively, the Expense Account, the Collection Account, the Reserve Account, the Securities Account, the Guarantor Payments 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.

"**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 3.2 (*Amortisation Test Aggregate Loan Amount*) of the Cover Pool Administration Agreement.

"**Affected Loan**" has the meaning ascribed to such term under clause 2.6 (*Asset Coverage Test*) of the Cover Pool Administration Agreement.

"**Affected Receivables**" has the meaning ascribed 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 Administration Agreement in order to ensure, *inter alia*, that, on each Test Calculation Date following the delivery of a Notice to Pay (but prior to the service to the Guarantor of an Acceleration Notice), the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate principal amount of the Covered Bonds as calculated on the relevant Test Calculation Date.

"**Amortisation Test Verification**" has the meaning ascribed to such term under Clause 3.2.1 (*Scope of Amortisation Test Verification*) of the Asset Monitor Agreement.

"**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 Administration Agreement.

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

"**Article 74 Event Cure Notice**" means the notice to be served by the Representative of the Covered Bondholders to the Issuer, 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 Administration Agreement.

"**Asset Coverage Test Verification**" has the meaning ascribed to such term under Clause 3.1.1 (*Scope of Statutory Tests Verification and Asset Coverage Tests Verification*) of the Asset Monitor Agreement.

"**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 Initial Issue Date between, *inter alios*, the Asset Monitor and the Issuer.

"**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 Servicer, 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 Administration Agreement or under other Programme Documents, as the case may be, the lower of (a) 88 per cent. and (b) such other percentage figure determined by the Issuer on behalf of the Guarantor (after procuring the level of *overcollateralization* in line with target rating), and notified by using the *pro-forma* notice attached under Schedule 1 of the Cover Pool Administration Agreement to the Guarantor, the Guarantor Calculation Agent, the Servicer, the Rating Agency, and the Representative of the Covered Bondholders.

"**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.

"**Available Funds**" means, collectively, (a) the Interest Available Funds, (b) the Principal Available Funds and (c) the Excess Proceeds provided that the Available Funds do not include the Swap Collateral.

"**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.

"**Back-Up Servicer Facilitator**" means Securitisation Services S.p.A., or any such other entity as may be appointed pursuant to the Servicing Agreement;

"**Banking Law**" means Legislative Decree No. 385 of 1 September 1993 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 Loan Provider 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 Creditors as beneficiaries of the Covered Bond Guarantee.

"**BoI Regulations**" (*Regolamento della Banca d'Italia*) means the supervisory guidelines of the Bank of Italy set out in Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (*Circolare* No. 285 of 17 December 2013), as replaced, amended and supplemented from time to time.

"**BPAA**" means Banca Popolare dell'Alto Adige S.p.A.

"**BPAA Group**" means jointly the banks and the other companies belonging from time to time to the Banca Popolare dell'Alto Adige S.p.A. banking group registered with the Bank of Italy pursuant to Article 64 of the Banking Law.

"**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;

"**By-laws**" means the by-laws of the Company, as amended from time to time.

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

"**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 Administration Agreement).

"**Cash Management and Agency Agreement**" means the cash management and agency agreement, entered into on or about 8 October 2019 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 dell' Alto Adige S.p.A., acting as cash manager pursuant to the Cash Management and Agency Agreement.

"**Cash Manager Report**" means the cash manager report provided by the Cash Manager in accordance with the Cash Management and Agency Agreement.

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

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

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

"**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 Mortgage Loan Agreement.

**“Collection Account”** means the Euro denominated account established in the name of the Guarantor with the Account Bank, IBAN IT 71 P 03479 01600 000802318400, or such other substitute account as may be opened in accordance with the Cash Management and Agency Agreement.

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

**"Collection Period"** means each period from (but excluding) a Collection Date to (and including) the following Collection Date or, in respect of the first Collection Period, the period from (and including) the Valuation Date of the transfer of the Initial Portfolio to (and including) the Collection Date of December 2019.

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

**“Commission Delegated Regulation No. 979/2019”** means the Commission Delegated Regulation (UE) No. 979/2019 of 14 March 2019, implementing the Prospectus Regulation, as supplemented and amended from time to time.

**“Commission Delegated Regulation No. 980/2019”** means the Commission Delegated Regulation (UE) No. 980/2019 of 14 March 2019, implementing the Prospectus Regulation, as supplemented and amended from time to time.

**"Common Criteria"** means the criteria listed in schedule 2 (*Criteri Generali*) to the Master Transfer 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*.

**“Controller”** means the entity or person appointed as controller of the processing of the personal data.

**"Corporate Maintenance Cost"** means on each Guarantor Calculation Date, an amount equal to the aggregate of all costs and expenses incurred by the Guarantor in the day to day running of the Guarantor's business and for the preservation of the corporate existence of the Guarantor which are due and payable on the immediately following Guarantor Payment Date, including, without limitation, the fees, costs, expenses and all other amounts then due and payable to managers, statutory auditors and external auditors.

**"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 8 October 2019, between the Guarantor and the Corporate Servicer, pursuant to which the Corporate Servicer will provide certain administration services to the Guarantor.

**"Cover Pool"** means the cover pool constituted by, collectively, any Eligible Assets and Integration Assets held by the Guarantor in accordance with the provisions of the Law 130, the MEF Decree and the BoI Regulations.

**"Cover Pool Administration Agreement"** means the cover pool administration agreement entered into on or about 8 October 2019 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.

“**Cover Pool for Statutory Tests**” means, for the purpose of the calculation of the Statutory Tests, the aggregate amount of Eligible Assets and Integration Assets (including any sum standing to the credit of the Accounts) included in the Cover Pool provided that (i) any Deteriorated Financial Activity and any Defaulted Receivable will be excluded 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 MEF Decree, 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.

"**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 Creditors, in accordance with the provisions of the Law 130, MEF Decree and the BoI Regulations.

"**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 Swap Counterparty**” means any institution which agrees to act as covered bond swap counterparty to the Guarantor under any Swap Agreement or other hedging agreements, if any, aimed at hedging certain interest rate risks and/or, if applicable, currency exposures in relation to the Guarantor’s obligations under the Covered Bonds, that may be entered into between the Guarantor and the relevant Covered Bond Swap Counterparty.

"**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*).

"**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.

“**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.

"**Criteria**" means, collectively, the Common Criteria and the Specific Criteria.

“**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:

- "Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- "M2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;
- "D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and
- "D2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;
- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

- "Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;
- "Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- "M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;



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

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

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

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

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

where:

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

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

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

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

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

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

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

"**Dealer(s)**" means Société Générale, Unicredit Bank AG, Erste Group Bank AG 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 No. 239**" means Italian Legislative Decree number 239 of 1 April 1996.

"**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 8 October 2019, 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 a Receivable arising from a Mortgage Loan Agreement included in the Cover Pool 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 Receivable**" means any Receivable arising from Mortgage Loan Agreements included in the Cover Pool 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.

"**Deteriorated Financial Activity**" or "**DFA**" means a Receivable classified as "*attività finanziaria deteriorata*" pursuant to Bank of Italy's Circular n. 272 of 30 July 2008 stating the "*Matrice dei Conti*", as subsequently amended and supplemented.

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

"**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 this Agreement and the other Programme Documents, as the case may be.

"**Documentation**" means any documentation relating to the Receivables comprised in the Cover Pool.

"**Drawdown Date**" means each date on which each Term Loan under the Subordinated Loan Agreement is made during the Availability Period, which is the date on which the purchase price of the Initial Portfolio or any New Portfolio is due by the Guarantor to BPAA pursuant to the Master Transfer Agreement.

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

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

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

"**Eligible Assets**" means the Mortgage Loans.

"**Eligible Deposits**" means the deposits held with banks having their registered office in Eligible States pursuant to Article 2, paragraph 3, of the MEF Decree.

"**Eligible Institution**" means 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 or (ii) whose long-term unsecured, unsubordinated and

unguaranteed debt obligations are rated at least "A" by Fitch or in case of Account Bank the Deposit Rating (if any) is 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 Liquidation 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, or in the absence of a Fitch rating, rated at least at the level equivalent to Fitch's 'AA-' or 'F1+' by at least one other internationally recognised and regulatory approved rating agency, if the relevant maturity is up to the earlier of the next Liquidation 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 Liquidation Date and 365 calendar days; or 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 Liquidation 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 Liquidation 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 States"** means any States belonging to the European Economic Space, Switzerland and any other State attracting a zero per cent. risk weight factor under the "Standardised Approach" provided for by Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions.

**"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 at any date, in relation to any amount or payment referred to a loan, a bond, an agreement or any other asset the amount or payment referred to such loan, bond, agreement or asset at such date denominated in Euro where the exchange rate correspond to (i) the current exchange rate

fixed by the Servicer in accordance with its usual practice at that time for calculating that equivalent should any currency hedging agreement be not in place or (ii) the exchange rate indicated in the relevant currency hedging agreement be in place.

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

**"Excess Proceeds"** means the amounts received by the Guarantor as a result of any enforcement taken *vis-à-vis* the Issuer in accordance with Article 4, Paragraph 3, of the MEF Decree.

**"Excess 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.

**"Execution Date"** means the execution date of the Master Transfer Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement and the Subordinated Loan Agreement.

**"Excluded Swap Termination Amount"** means any termination payment due and payable by the Guarantor to a Covered Bond Swap Counterparty, where the Covered Bond Swap Counterparty is the Defaulting Party or the sole Affected Party pursuant to the relevant Swap Agreement.

**"Expense Required Amount"** means Euro 40,000.00.

**"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 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 Account Bank, IBAN IT 48 Q 03479 01600 000802318401, or such other substitute account as may be opened in accordance with the Cash Management and Agency Agreement.

**"Expiry Date"** means the date falling 1 (one) year and 1 (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 the date falling 7 Business Days after the expiry of the Maturity Date of the relevant Tranche or Series of Covered Bonds.

**"Extraordinary Resolution"** has the meaning ascribed to such term in the Rules of Organisation of the Covered Bondholders attached to the 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 or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

**"Final Terms"** means, in relation to any issue of any Series or Tranche 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 or Tranche of Covered Bonds.

**"Financial Law"** means Legislative Decree number 58 of 24 February 1998 as amended from time to time.

**"First CB Payment Date"** means the date specified in the relevant Final Terms.

**"First Guarantor Payment Date"** means the Guarantor Payment Date falling in January 2020.

**"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.

**"Fitch"** means Fitch Ratings Limited.

**"FSMA"** means the Financial Service and Markets Act 2000.

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

**"GDPR"** means Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

**"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.

**"Guarantor"** or the **"Company"** means VOBA CB S.r.l., acting in its capacity as guarantor pursuant to the Covered Bond Guarantee.

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

**"Guarantor Calculation Date"** means both prior to and after the delivery of an Acceleration Notice, the date falling on the fourth Business Day immediately preceding each Guarantor Payment Date.

**"Guarantor Event of Default"** means, following an Issuer Event of Default and the service of a Notice to Pay, any of the following events or circumstances:

(i) *Non-payment*: failure by the Guarantor 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, it being understood that, for the avoidance of doubt, with reference to the failure by the Guarantor

to pay any principal due at the Maturity Date, no Guarantor Event of Default shall occur should an Extended Maturity Date have been specified as applicable in the relevant Final Terms; or

(ii) *Breach of Amortisation Test*: breach of the Amortisation Test on any Test Calculation Date (provided that, in case of an Issuer Event of Default consisting in an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 Event Cure Notice); or

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

(iv) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; 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 Management and Agency Agreement.

**"Guarantor Payment Date"** means (a) prior to the delivery of an Acceleration Notice, the 27<sup>th</sup> day of each month of January, April, July and October, or if that day is not a Business Day, the immediately following Business Day; the first Guarantor Payment Date will fall in January 2020; and (b) following the delivery of an Acceleration Notice, any day on which any payment is required to be made by the Representative of the Covered Bondholders in accordance with the Post-Guarantor Event of Default 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 02 S 03479 01600 000802318403 or such other substitute account as may be opened in accordance with the Cash Management and Agency Agreement.

**"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 Transfer Agreement: (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 Law 130.

**"Initial Issue Date"** means the date on which the Issuer will issue the first Series of Covered Bonds.

**"Initial Portfolio"** means the portfolio of Initial Receivables purchased by the Guarantor from the Seller pursuant to the Master Transfer Agreement.

**"Initial Receivables"** means the initial Receivables comprising certain Eligible Assets included in the Initial Portfolio.

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

- (i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" 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, division, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the 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 Banking Law); or
- (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2448 of the 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 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.

**"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.

**"Instalment Extension Determination Date"** means, with respect to any Covered Bond Instalment Date, the date falling 2 Business Days after the expiry of seven days from (and including) such Covered Bond Instalment Date.

**"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.

**"Integration Assets"** means, in accordance with the provisions of the MEF Decree and the BoI Regulations:

- (i) Eligible Deposits; and
- (ii) securities issued by banks residing in Eligible States (as defined below) with residual maturity not longer than one year, in each case, meeting the requirements set out in the definition of Eligible Investments.

**"Intercreditor Agreement"** means the intercreditor agreement entered into on or about 8 October 2019 between the Guarantor and the Other Creditors.

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

**"Interest Available Funds"** means, on each Guarantor Payment Date, the aggregate of:

- a) any interest collected by the Servicer in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- b) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;
- c) all recoveries in the nature of interest and penalties received by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- d) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts during the Collection Period preceding the relevant Guarantor Payment Date;
- e) any amounts other than in respect of principal received under the Swap Agreements (other than any Swap Collateral);
- f) any swap termination payments received from a Covered Bond Swap Counterparty under a Swap Agreement, provided that, prior to the occurrence of a Guarantor Event of Default, such amounts will first be used to pay a Replacement Covered Bond Swap Counterparty to enter into a



Replacement Swap Agreement, unless a Replacement Swap Agreement has already been entered into by or on behalf of the Guarantor;

- g) prior to the service of a Notice to Pay on the Guarantor amounts standing to the credit of the Reserve Account in excess of the Required Reserve Amount and following the service of a Notice to Pay on the Guarantor, any amounts standing to the credit of the Reserve Account;
- h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- i) the interest amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period.

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

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

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

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

**"Investor Report Date"** means 2 Business Days after each Guarantor Payment Date.

**"Investor 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.

**“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 dell’Alto Adige S.p.A., acting in its capacity as issuer pursuant to the Programme Agreement.

**"Issuer Downgrading Event"** means the Issuer being downgraded below “BBB” or “F2” by the Rating Agency.

**"Issuer Event of Default"** means any of the following events and circumstances:

(i) *Non payment*: failure by the Issuer to pay any amount of interest and/or principal due and payable on the Covered Bonds of any Series or Tranche at their relevant Guarantor 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*: breach by the Issuer of any material obligations under or in respect of the Covered Bonds (of any Series or Tranche outstanding) or any of the Transaction Documents to which it is a party (other than any obligation for the payment of principal or interest on the Covered Bonds and/or any obligation to ensure compliance of the Cover Pool with the Statutory Tests), (except where, in the sole opinion of the Representative of the Covered Bondholders, such default is not capable

of remedy in which case no notice will be required), and such failure remains unremedied for 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer, certifying that such failure is, in its opinion, materially prejudicial to the interests of the Covered Bondholders and specifying whether or not such failure is capable of remedy; or

(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 of the Issuer has occurred; or

(v) *Article 74*: an Article 74 Event has occurred (as defined below); or

(vi) *Cessation of business*: the Issuer ceases to carry on its primary business (because of the loss of its banking license or otherwise); or

(vii) *Breach of Tests*: if, following the delivery of a Breach of Test Notice, the Statutory Tests and the Asset Coverage Test are not met at, or prior to, the next Test Calculation Date unless the Representative of the Covered Bondholders or the Meeting of the Organisation of the Covered Bondholders resolves otherwise;

**“Issuer’s Investor Report”** means the investor report provided by the Test Calculation Agent in accordance with the Cash Management and Agency Agreement.

**“Issuer’s Investor Report Date”** means the date which falls six Business Days prior to the Guarantor Payment Date falling in January and July of each year, it being understood that the first Issuer’s Investors Report Date will be on 20 January 2020.

**“Issuer Paying Agent”** means BPAA, acting in its capacity as issuer paying agent, or any such other institution as may be appointed pursuant to the Cash Management and Agency Agreement.

**“Joint Arrangers”** means Unicredit Bank AG, Société Générale and FISG.

**“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 BoI Regulations.

**“Law 130”** means Law No. 130 of 30 April 1999 as amended from time to time.

**“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.

**“LIBOR”** means the London inter-bank offered rate.

**“Liquidation Date”** means the third Business Days before each Guarantor Payment Date.

**“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.

**“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 in accordance with the BoI Regulations and any other applicable prudential regulation.

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

**“Mandate Agreement”** means the mandate agreement entered into on or about 8 October 2019 between the Representative of the Covered Bondholders and the Guarantor.

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

"**Master Definitions Agreement**" means this Agreement.

"**Master Transfer Agreement**" means the master transfer agreement entered into on 1 October 2019 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**" means the amount to be notified by the Guarantor prior to the Initial Issue Date, or any increase thereof from time to time pursuant to Clause 3 of the Covered Bond Guarantee.

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

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

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

"**MEF Decree**" means the ministerial MEF Decree of 14 December 2006 issued by the Ministry of the Economy and Finance, as amended and supplemented from time to time.

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

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

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

"**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) related to the Initial Portfolio and end to 31 October 2019 (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 an Acceleration Notice, the date falling on the 12<sup>th</sup> 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 an Acceleration 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 20<sup>th</sup> day of the month immediately following the date of such Test Performance Report and, thereafter, the 20<sup>th</sup> day of each month until the end of the relevant Test Grace Period in accordance with the Cover Pool Administration Agreement, or, if any such day is not a Business Day, the immediately following Business Day.

"**Mortgage Loan**" means, pursuant to article 2, sub-paragraph 1, of MEF Decree, any residential mortgage loan which has 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.

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

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

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of 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 Interest Collections from the Cover Pool for Statutory Tests**" has the meaning ascribed to such term under Clause 2.5 (*Interest Coverage Test*) of the Cover Pool Administration Agreement.

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

"**Net Present Value of the Cover Pool for Statutory Tests**" has the meaning ascribed to such term in clause 2.4 (*Net Present Value Test*) of the Cover Pool Administration Agreement.

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

"**Negative Test Performance Report**" means a Test Performance Report delivered by the Test Calculation Agent in which a breach of any Statutory Tests or Asset Coverage Test or Amortisation Test is reported.

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

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

"**Notice to Pay**" 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.

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

"**OFAC Regulations**" means the rules and regulations enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury (OFAC).

"**Offer Date**" means, with respect to each New Portfolio, the date falling 2 (two) Business Days prior to each Transfer Date, pursuant to clause 3.1 (*Offerta*) of the Master Transfer 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 or such other amount as may be specified in, or determined in accordance with, the Conditions.

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

**"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 Loan Provider, 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 Covered Bond Swap Counterparty, 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 Covered Bond Swap Counterparty, 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 or any other asset included in the Cover Pool, the aggregate nominal principal amount outstanding of such loan 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.

**"Partial Portfolio"** has the meaning ascribed to such term under Clause 5.5(*Sale of Partial Portfolio*) of the Cover Pool Administration Agreement.

**"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 Management and Agency Agreement on each Guarantor 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 Transfer Agreement.

**"Portfolio Manager"** means the entity appointed as such in accordance with clause 5.6 (*Portfolio Manager*) of the Cover Pool Administration Agreement.

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

**"Post-Guarantor Event of Default Priority of Payments"** means the order of priority pursuant to which the Available Funds shall be applied on each Guarantor Payment Date, following the delivery of an Acceleration 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-Guarantor Event of Default Priority of Payments which, following the occurrence of a Guarantor Event of Default and the delivery of an Acceleration Notice, shall be prepared and delivered by the Guarantor Calculation Agent in accordance with the Cash Management and Agency 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 on each other date on which the Asset Coverage Test is to be carried out pursuant to the provisions of the Cover Pool Administration Agreement.

**"Pre-Issuer Event of Default Interest Priority of Payments"** means the order of priority pursuant to which the Interest Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of a Notice to Pay 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 a Notice to Pay 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 Guarantor Payment Date, the aggregate of:

- (a) all principal amounts collected by the Servicer in respect of the Cover Pool and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (b) all other recoveries in the nature of principal collected by the Servicer and credited to the Collection Account during the Collection Period preceding the relevant Guarantor Payment Date;
- (c) all proceeds deriving from the sale, if any, of the Receivables during the Collection Period preceding the relevant Guarantor Payment Date;
- (d) without duplication with other items of this definition, all principal proceeds deriving from the liquidation of Eligible Investments during the Collection Period preceding the relevant Guarantor Payment Date;
- (e) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;
- (f) all amounts in respect of principal (if any) received under any Swap Agreement (other than the Swap Collateral);
- (g) any amounts to be transferred pursuant to item (vi) of the Pre-Issuer Event of Default Interest Priority of Payments;
- (h) any amounts (other than the amounts already allocated under other items of the Interest Available Funds or the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (i) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Covered Bond Guarantee during the immediately preceding Collection Period;
- (j) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts.

**“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 Post-Issuer Event of Default Priority of Payments and the Post-Guarantor Event of Default Priority of Payments.

**“Privacy Code”** means the Legislative Decree no. 196 of 30 June 2003 (*Codice in materia di protezione dei dati personali*) as amended and integrated from time to time.

**"Privacy Law"** means the Privacy Code, the GDPR and any other related regulation and/or provision in force from time to time.

**“Processor”** means the entity or person responsible for processing personal data.

**"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 Law 130.

**"Programme Agreement"** means the programme agreement entered into on or about 8 October 2019 between, *inter alios*, the Guarantor, the Seller, the Issuer, the Representative of the Covered Bondholders and the Dealers.

**"Programme Amount"** means €3,000,000,000.

**"Programme Documents"** means the Master Transfer Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Management and Agency Agreement, the Programme Agreement, each Subscription Agreement, the Cover Pool Administration Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements (if any), the Mandate Agreement, the Quotaholders' Agreement, the Conditions, each Final Terms, the Deed of Pledge, the Master Definitions Agreement, the Stichting Corporate Services 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 Regulation"** means EU Regulation 2017/1129.

**"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 MEF Decree, any receivables owned 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 MEF Decree, 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 Transfer 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 Management and Agency Agreement, or such other form which may, from time to time, be agreed between the Issuer and the Issuer Paying Agent or the 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;

**"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 12<sup>th</sup> 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 an Acceleration Notice, such date as may be indicated by the Representative of the Covered Bondholders. The first Quarterly Servicer's Report Date will fall in January 2020.

**"Quotaholders"** means each of Stichting Urano and Banca Popolare dell'Alto Adige S.p.A..

**"Quotaholders' Agreement"** means the agreement entered into on or about 8 October between BPAA, Stichting Urano, the Guarantor and the Representative of the Covered Bondholders.

**"Quotaholders' Meeting"** means a meeting of the Quotaholders.

**"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 Banca Monte dei Paschi di Siena S.p.A., IBAN IT 72 D 01030 61622 000001835807 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.

**"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 a **"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 Valuation 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 and the Integration Assets, including penalties and any other amount due to the Seller in the case of prepayments of the Mortgage Loans, and to the guarantees and insurances related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in connection with the collection and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Valuation Date;

- (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.

**"Records"** means the records prepared pursuant to clause 10.1 (*Duty to maintain Records*) of the Cash Management and Agency 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 or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the Conditions.

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

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

**"Relevant Contracts"**:

- (i) in respect of any Issuer Paying Agent - other than the Issuer - the Cash, Management and Agency Agreement;
- (ii) in respect of any Covered Bond Swap Counterparty, the relevant Swap Agreement, if any;
- (iii) in respect of the Asset Monitor, the Asset Monitor Agreement

and, in respect of any Other Issuer Creditor which may be in the future identified as such pursuant to this Covered Bond Guarantee, any other Programme Document which may be entered into from time to time by such Other Issuer Creditor.

**"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 Series or 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 Series or 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 Conditions and the Final Terms of each Series of Covered Bonds.

**"Required Outstanding Principal Balance"** has the meaning ascribed to such term under Clause 5.2 (*Required Outstanding Principal Balance Amount*) of the Cover Pool Administration Agreement.

**"Required Outstanding Principal Balance Amount"** has the meaning ascribed to such term under Clause 5.2 (*Required Outstanding Principal Balance Amount*) of the Cover Pool Administration Agreement.

**"Required Reserve Amount"** means, on each Guarantor Payment Date, an amount calculated by the Guarantor Calculation Agent as being 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 Swap Agreements are

in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the net amount due to the Covered Bond Swap Counterparty or the amount due to the Covered Bondholders of such Series, (b) if Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due to the Covered Bondholders of such Series and (c) if Covered Bond Swaps 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 Swap Agreements, the higher of the net amount due to the Covered Bond Swap Counterparty 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 to the Covered Bondholders of such Series in each case as calculated by the Guarantor Calculation Agent on or prior to each Guarantor Calculation Date, *plus* (B) prior to the service of a Notice to Pay, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Dates following the relevant Guarantor Calculation Date in respect of the items (*First*) to (*Third*) (each inclusive) of the Pre-Issuer Event of Default Interest Priority of Payments; *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.

**"Reserve Account"** means the Euro denominated account established in the name of the Guarantor with the Account Bank IBAN IT 25 R 03479 01600 000802318402, or such other substitute account as may be opened in accordance with the Cash Management and Agency Agreement.

**"Reserve Fund"** means means any amounts standing to the credit of the Reserve Account up to the Required Reserve Amount.

**"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.

**"Sanctions"** means any sanctions, laws, regulations, or restrictive measures (including, for the avoidance of doubt, any sanctions or measures relating to any particular embargo, asset freezing) enacted, administered, imposed or enforced by the United States of America, including OFAC Regulations, the United Nations and/or the European Union and/or the French Republic, and/or the United Kingdom (including Her Majesty's Treasury) or other relevant authority.

**"Secured Creditors"** means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Loan Provider, the Servicer, the 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 Covered Bond Swap Counterparty, 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 Integration 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 Management and Agency Agreement.

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

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

**"Security Interest"** means:

- (i) any mortgage, charge, pledge, lien, 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.

**"Selected Assets"** has the meaning ascribed to such term under Clause 5.1.2 (*Disposal of Assets following a Notice to Pay*) of the Cover Pool Administration Agreement.

**"Seller"** means BPAA pursuant to the Master Transfer Agreement.

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

**"Servicer"** means BPAA, 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 or about 8 October 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 Transfer 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 Denomination(s)"** has the meaning given in the relevant Final Terms.

**"Specified Office"** means, with respect to:

- (i) the Account Bank and Guarantor Paying Agent, Piazza Lina Bo Bardi 3, Milan,
- (ii) the Cash Manager, Test Calculation Agent and Issuer Paying Agent, Via del Macello, 55, Bolzano, Italy, and
- (iii) 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 MEF Decree 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 Test*) of the Cover Pool Administration Agreement.

"**Statutory Test Verification**" has the meaning ascribed to such term under Clause 3.1.1(*Scope of Statutory Tests Verification and Asset Coverage Test Verifications*) of the Asset Monitor Agreement.

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

"**Stichting Corporate Services Provider**" means Wilmington Trust SP Services (London) Limited acting in its capacity as stichting corporate services provider of Stichting Urano pursuant to the Stichting Corporate Services Agreement.

"**Stichting Corporate Services Agreement**" means the stichting corporate services agreement entered into on or about 8 October 2019, between the Guarantor, the Stichting Corporate Services Provider and Stichting Urano, pursuant to which the Stichting Corporate Services Provider will provide certain administration services to Stichting Urano.

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

"**Subordinated Loan Agreement**" means the subordinated loan agreement entered into on 1 October 2019 between the Subordinated Loan Provider 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.

"**Suspension Period**" means the period of time following an Article 74 Event.

"**Swap Agreements**" means any swap agreement or other hedging agreements, if any, aimed at hedging certain interest rate risks and/or, if applicable, currency exposures in relation to the Guarantor's obligations under the Covered Bonds, that may be entered into between the Guarantor and the relevant Covered Bond Swap Counterparty.

"**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 Covered Bond Swap Counterparty if compared to the position of the Covered Bondholders, (ii) changing a payment date under the Swap Agreements; (iii) providing a reduction or cancellation or increase in the payments due under the Swap Agreements; (iv) altering the currency for each relevant payment under the Swap Agreements; (v) extending the termination date under the Swap Agreements and (vi) modifying this definition.

"**Swap Collateral**" means the collateral which may be transferred by the Covered Bond Swap Counterparty 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 that may be opened in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Management and Agency Agreement.

**"Swap Collateral Excluded Amounts"** means, at any time, cash and/or securities equivalent of the same type, nominal value and description as the Swap Collateral which is to be transferred back by the Guarantor to the Covered Bond Swap Counterparty from time to time in accordance with the terms of the Swap Agreements.

**"Swap Collateral Securities Account"** means the Euro denominated account that may be opened in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Management and Agency Agreement.

**"Swap Curve"** means the term structure of interest rates used by the Test Calculation Agent in accordance with the best market practice and calculation based on market instruments.

**"Stichting Urano"** means Stichting Urano in its capacity as quotaholder of the Guarantor.

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

**"TARGET 2 Settlement Day"** means any day on which the 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 Loan Provider pursuant to the terms of clause 2 (*Il Finanziamento Subordinato*) of the Subordinated Loan Agreement.

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

**"Test Calculation Agent"** means Banca Popolare dell'Alto Adige S.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 Management and Agency Agreement.

**"Test Calculation Date"** means both prior to and after the delivery of an Acceleration Notice, the date falling on the fifth Business Day immediately preceding each Guarantor Payment Date.

**"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 Administration Agreement.

**"Total Commitment"** with respect to the Subordinated Loan Provider, 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 Transfer Agreement.

**"Transfer Date"** means: (a) with respect to the Initial Portfolio, 1 October 2019; 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 6 (*Modello di proposta di cessione di Nuovi Portafogli*) to the Master Transfer 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, 1 September 2019, and (b) with reference to the New Portfolios, the date designated as such in the relevant Transfer Notice.

"**Warranty and Indemnity Agreement**" means the warranty and indemnity agreement entered into on 1 October 2019 between the Seller and the Guarantor.



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