

## BASE PROSPECTUS DATED JULY 23, 2009

### **Intesa Sanpaolo S.p.A.**

*(incorporated as a joint stock company under the laws of the Republic of Italy)*

### **€10,000,000,000.00 Covered Bond Programme (the “Programme”)**

*unsecured and guaranteed as to payments of interest and principal by*

### **ISP CB Pubblico S.r.l.**

*(incorporated with limited liability under the laws of the Republic of Italy)*

The €10,000,000,000.00 Covered Bond Programme (the “**Programme**”) described in this base prospectus (the “**Base Prospectus**”) has been established by Intesa Sanpaolo S.p.A. (in its capacity as issuer of the Covered Bonds, as herein defined below, “**Intesa Sanpaolo**” or the “**Issuer**”) for the issuance of bonds guaranteed by ISP CB Pubblico S.r.l. pursuant to Article 7-bis of law of 30 April 1999, No. 130 (the “**Law 130**”) and regulated by the Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310 (the “**MEF Decree**”) and the Supervisory Instructions of the Bank of Italy dated 17 May 2007 – (the “**BoI OBG Regulations**”).

ISP CB Pubblico S.r.l. issued a first demand (*a prima richiesta*), autonomous, unconditional and irrevocable (*irrevocabile*) guarantee (*garanzia autonoma*) securing the payment obligations of the Issuer under the Covered Bonds (the “**Covered Bonds Guarantee**”), in accordance with the provisions of Law 130 and of the MEF Decree. The obligation of payment under the Covered Bonds Guarantee shall be with limited recourse to the Portfolio and the Available Funds (as defined herein).

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of giving information with regard to the issue of Covered Bonds under the Programme during the period of twelve (12) months after the date hereof.

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

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

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than €50,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

Under the Programme, the Issuer may issue Covered Bonds denominated in any currencies, including Euro, US Dollar, Japanese Yen and UK Sterling. Interest on the Covered Bonds shall accrue monthly, quarterly, semi-annually, annually or on such other basis as specified in the relevant Final Terms (as defined in the “*Terms and Conditions of the Covered Bonds*” below), in arrear at fixed or floating rate, increased or decreased by a margin. In addition, interest and/or principal on the Covered Bonds may be linked to the performance of certain indexes or securities. The Issuer may also issue Covered Bonds at a discounted price with no interest accruing and repayable at nominal value (zero-coupon Covered Bonds).

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

Application has been made for Covered Bonds to be admitted during the period of 12 months from the date of this Base Prospectus to listing on the official list and trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2004/39/EC. In addition, the Issuer and each Relevant Dealer (as defined in the “*Terms and Conditions of the Covered Bonds*”) named under “*Subscription and Sale*” may agree to make an application to list a Series on any other stock exchange as specified in the relevant Final Terms. The Programme also permits Covered Bonds to be issued on an unlisted basis.

The Covered Bonds to be issued on or after the date hereof will be held in dematerialised form on behalf of their ultimate owners, until redemption or cancellation thereof, by Monte Titoli S.p.A. (“**Monte Titoli**”) for the account of the relevant Monte Titoli Account Holders. The expression “**Monte Titoli Account Holders**” means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depositary banks appointed by Euroclear Bank S.A. / N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream**”). Each Series is and will be deposited with Monte Titoli on the relevant Issue Date (as defined in the “*Terms and Conditions of the Covered Bonds*” below). Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of Legislative Decree No. 213 of 24 June 1998 and Legislative Decree No. 58 of 24 February 1998 (“**Financial Law**”) and implementing regulation and with the joint

regulation of the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title is and will be issued in respect of the Covered Bonds.

Before the Maturity Date the Covered Bonds will be subject to mandatory and optional redemption in whole or in part in certain circumstances, as set out in Condition 9 (*Redemption and Purchase*).

Each Series is expected, upon the relevant issue, to be assigned a rating as specified in the relevant Final Terms by Moody’s Investors Service (“**Moody’s**”). Covered Bonds to be issued under the Programme are expected to be rated Aaa by Moody’s. Conditions precedent to the issuance of any Series include that the rating letter assigning the rating to such Series of Covered Bonds is issued by the Rating Agency.

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

**For a discussion of certain risks and other factors that should be considered in connection with an investment in the Covered Bonds, see the section entitled “*Risk Factors*” of this Base Prospectus.**

*Arranger and Dealer*

**Banca IMI**

## RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for all the information contained in this Base Prospectus, with the exception of the sections “*Description of the Covered Bonds Guarantor*”, “*Description of the Seller*” and “*Description of the Initial Portfolio, Collection and Recovery Procedures*”.

The Covered Bonds Guarantor accepts responsibility for the information contained in this Base Prospectus in the sections entitled “*Description of the Covered Bonds Guarantor*”.

The Seller accepts responsibility for the information contained in this Base Prospectus in the sections entitled “*Description of the Seller*” and “*Description of the Initial Portfolio, Collection and Recovery Procedures*”.

Each of Issuer, the Covered Bonds Guarantor and the Seller declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

## NOTICE

This Base Prospectus is a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Covered Bonds 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 “*Documents incorporated by reference*”). Full information on the Issuer and any Series of Covered Bonds is only available on the basis of the combination of the Base Prospectus and the relevant Final Terms.

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

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

No person has been authorised by the Issuer 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 Dealer or any party to the Transaction Documents (as defined in the Conditions).

This Base Prospectus is valid for twelve months following its date of publication 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 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 Dealer 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 Dealer 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 of Covered Bonds offered to the public or, as the case may be, when trading of any Series of Covered Bonds on a regulated market begins, in respect of Covered Bonds issued on the basis of this Base Prospectus.

Neither the Arranger nor the Dealer nor any person mentioned in this Base Prospectus, with exception of the Issuer, the Covered Bonds Guarantor and the Seller, 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 Arranger and the Dealer have not verified the information contained in this Base Prospectus. None of the Dealer or the Arranger 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 Covered Bonds Guarantor, the Arranger or the Dealer 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 Dealer or the Arranger undertakes to review the financial condition or affairs of the Issuer, the Covered Bonds Guarantor or the Intesa Sanpaolo 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 Dealer or the Arranger.

The distribution of this Base Prospectus, any document incorporated herein by reference and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer and the 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 "*Selling Restrictions*" 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 amendment or supplement thereto, nor any Final Terms (or any part thereof) constitutes an offer, nor may they be used for the purpose of an offer to sell any of the Covered Bonds, or a solicitation of an offer to buy any of the Covered Bonds, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is

unlawful. Each recipient of this 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 of the European Economic Area (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; 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.

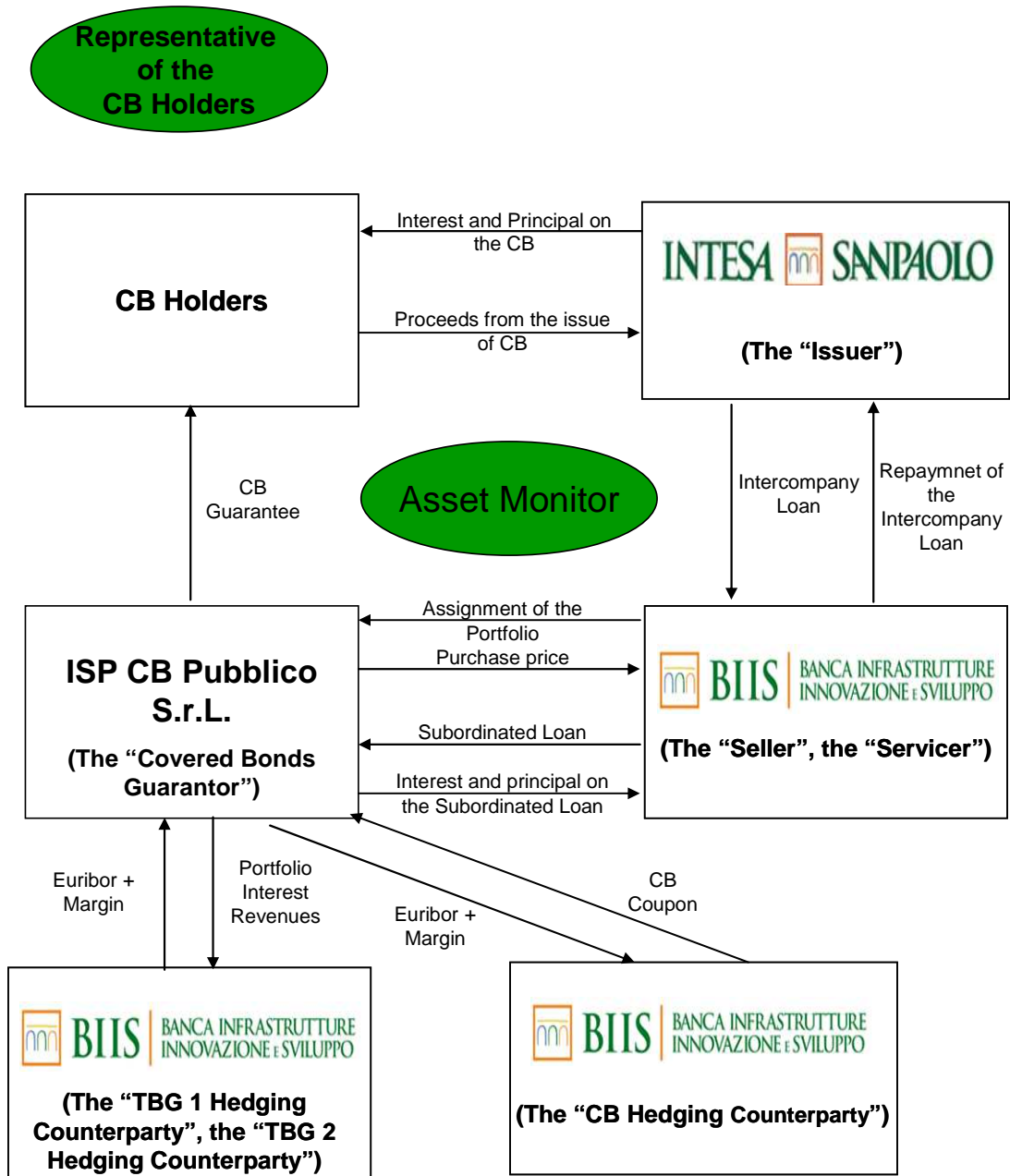
The Arranger is acting for the Issuer and no one else in connection with the Programme and will not be responsible to any person other than the Issuer for providing the protection afforded to clients of the Arranger or for providing advice in relation to the issue of the Covered Bonds.

**In connection with the issue of any Series under the Programme, the Dealer or the Dealers (if any) which is specified in the relevant Final Terms as the stabilising manager (the “Stabilising Manager”) or any person acting for the Stabilising Manager may over-allot any such Series or effect transactions with a view to supporting the market price such Series at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this and there is no assurance that the Stabilising Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series and 60 days after the date of the allotment of any such Series. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

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## STRUCTURE OVERVIEW



## **RISK FACTORS**

*The following are the principal risk factors relating to the Issuer, the Covered Bonds Guarantor and the Covered Bonds to be issued under the Programme which prospective purchasers of Covered Bonds should consider prior to making an investment decision. The following summary is not intended to be exhaustive and prospective purchasers of Covered Bonds should also read the information set out elsewhere in this Base Prospectus.*

### **1. GENERAL INVESTMENT CONSIDERATIONS**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***Obligations to Make Payments When Due On The Covered Bonds***

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations. Consequently, any claim directly against the Issuer in respect of the Covered Bonds will not benefit from any security or other preferential arrangement granted by the Issuer. The Covered Bonds Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bonds Guarantee until the service on the Covered Bonds Guarantor of an Article 74 Notice to Pay or a Notice to Pay. Failure by the Covered Bonds Guarantor to pay amounts due under the Covered Bonds Guarantee in respect of any Series would constitute a Covered Bonds Guarantor Event of Default which would entitle the Representative of the Covered Bondholders to serve a Covered Bond Guarantor Acceleration Notice and accelerate the obligations of the Covered Bonds Guarantor under the Covered Bonds Guarantee and entitle the Representative of the Covered Bondholders to enforce the Covered Bonds Guarantee.

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, Dealer, the Representative of the Covered Bondholders or any other party to the Transaction Documents, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the Covered Bonds Guarantor. The Issuer and the Covered Bonds 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.

#### ***The secondary market generally***

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. 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 rated or 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 his Covered Bonds at any time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons.

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

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This



presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### ***Interest rate risks***

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

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

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

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

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

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

#### ***Law 130***

Law 130 was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. As at the date of this Base Prospectus, no interpretation of the application of Law 130 as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the MEF Decree setting out the technical requirements of the guarantee which may be given in respect of covered bonds, (ii) the BoI OBG Regulations concerning guidelines on the valuation of assets, the procedure for purchasing integration assets and controls required to ensure compliance with the legislation and (iii) the clarifications, provided for by the Bank of Italy, to certain queries concerning the OBG Regulations submitted to the such authority by Italian banks and Italian Banking Association (*Associazione Bancaria Italiana*). Consequently, it is possible that such or different authorities may issue further regulations relating to Law 130 or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

### *Change of law*

The structure of the Programme and *inter alia* the issue of the Covered Bonds and the ratings assigned to the Covered Bonds are based on Italian law, tax and administrative practice in effect at the date of this Base Prospectus, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that Italian law, tax or administrative practice or its interpretation will not change after the Issue Date of any Series or that such change will not adversely impact the structure of the Programme and the treatment of the Covered Bonds. This Base Prospectus will not be updated to reflect any such changes or events.

## **2. RISK FACTORS RELATING TO THE ISSUER**

### **Factors that may affect the Issuers' ability to fulfil its obligations under Covered Bonds issued under the Programme**

#### ***Risk management***

The Intesa Sanpaolo Group attributes great importance to risk management and control as conditions to ensure reliable and sustainable value creation in the context of controlled risk. This protects the Intesa Sanpaolo Group's financial strength and reputation, and permits a transparent representation of the risk profile of its portfolios.

The basic principles of risk management and control are: clear identification of responsibility for risk taking, measurement and control systems in line with international practice, and organisational separation between functions which carry out day-to-day operations and function which carry out control.

The policies relating to risk acceptance are defined by Intesa Sanpaolo's Statutory Bodies (Supervisory Board and Management Board), with support from specific committees.

Intesa Sanpaolo provides guidance, management and overall control of risks. Intesa Sanpaolo Group companies operate within the operating limits they have been assigned.

The long experience of Intesa and SANPAOLO IMI in risk management enables the Intesa Sanpaolo Group to use a wide array of metrics and instruments for the measurement and management of risks. In the early part of 2007, the first phase of integration occurred enabling, among other things, the preparation of a control framework for Intesa Sanpaolo Group in which risks are assessed on the basis of regulatory and economic prospects and comparison of capital endowment. The framework allows monitoring of Group capital adequacy and is periodic reporting to top management.

Measurements of risk and their impact on capital inform company decisions through the capital allocation system to the business lines and contribute to calculating risk-weighted profitability (RORAC – Return On Risk Adjusted Capital). These risk measurements are therefore a key system to guide operations and to define the financial structure of the Intesa Sanpaolo Group, maximising return for shareholders.

#### ***Credit Risk***

The banking and financial services business sector could be affected by a number of factors such as general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation and changes in the policies of central banks. From a credit activity point of view, a market decline could change the level of demand for the Intesa Sanpaolo Group's products and services, and could change the risk to the Intesa Sanpaolo Group of providing such products and services. Market declines and increased volatility can adversely affect the credit quality of the Intesa Sanpaolo Group's assets and could increase the risk that a greater number of the Intesa Sanpaolo Group's customers would default on their loans or other obligations with potential negative implication on the Issuer ability to repay principal or pay interest.

Intesa Sanpaolo has a set of instruments to ensure analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk. In particular, rating models have been developed for customer loans, which categorise the economic sector and size of the counterparty (Corporate, Italian Public Entities, Small Business, Mortgage, Personal Loans).

In recent years, Intesa and SANPAOLO IMI developed and implemented new credit processes that, in accordance with the New Basel Accord (“**Basel II**” or “**New Capital Accord**”), provided for the use of internal ratings as an essential part of the decision making process on loan granting and management.

The original mission of the Basel II project of both banks was to prepare for the adoption of the advanced approaches from the moment the New Accord came into force at the beginning of 2007. The merger has meant a rescheduling of the project so as to proceed with the work necessary to integrate models and processes.

Adoption of the advanced models was therefore postponed until 2008. The ratings are not only a direct instrument to manage and control credit risk, but also a primary element for managerial control of credit risk, through the credit risk portfolio model, which synthesises the information on asset quality in terms of risk indicators, including expected losses and absorbed capital; the latter may be calculated according to supervisory rules (Basel I and Basel II) or according to internal metrics (economic capital).

### ***Market Risks***

The Intesa Sanpaolo Group’s results of operations are dependent to a significant extent on the level of net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Interest rates are sensitive to many factors beyond the Intesa Sanpaolo Group’s control, such as monetary policies pursued by central banks and national governments, the liberalisation of financial services and increased competition in the markets in which the Intesa Sanpaolo Group operates, domestic and international economic and political conditions, and other factors.

Changes in interest rates could affect the spread between interest rates charged on interest earning assets and interest rates paid on interest-bearing liabilities, which in turn could affect the level of the Intesa Sanpaolo Group’s net interest income. Moreover, the composition of the Intesa Sanpaolo Group’s assets and liabilities, and any gap position resulting from the composition, causes the Intesa Sanpaolo Group’s net interest income to vary with changes in interest rates. A mismatch of interest-earning assets and interest bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the Intesa Sanpaolo Group’s net interest income and thereby on the Intesa Sanpaolo Group’s results of operations and financial condition.

### ***Trading risk***

The activities for the quantification of trading risks are based on daily and periodic estimates of sensitivity of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Intesa Sanpaolo Group’s market risks, to adverse market movements relatively to the following risk factors:

- (i) interest rates;
- (ii) equities and market indices;
- (iii) investment funds;
- (iv) foreign exchange rates;
- (v) implicit volatilities;
- (vi) spreads in Credit Default Swaps;

- (vii) spreads in issued bonds; and
- (viii) correlation instruments.

For certain of the abovementioned risk factors, the Supervisory Authority validated the internal models for the regulatory measurement of capital absorption of both Banca Intesa (2001) and Banca Caboto (2003).

In 2004 the model related to Banca Intesa's credit derivatives (credit default swaps) was also validated. The analysis of market risk profiles relative to the trading book uses various quantitative indicators and VaR is the most important. Since VaR (as defined below) is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures to quantify risks from illiquid parameters (dividends, correlation, hedge fund).

### ***Market risk banking book***

Market risk originated by the banking book arises primarily in Intesa Sanpaolo and in the main subsidiaries that carry out retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated or carried at equity held by Intesa Sanpaolo, FIN.OPI, IMI Investimenti and Sanpaolo IMI Internazionale.

The following methods are used to measure market risks of the Group's banking book:

- (i) Value at Risk (“**VaR**”);
- (ii) Sensitivity analysis.

Value at Risk is calculated as the maximum “unexpected” potential loss in the portfolio's market value that could be recorded over a ten day holding period with a statistical 99 per cent. confidence interval (parametric VaR). VaR is also used to consolidate exposure to financial risks of the various Intesa Sanpaolo Group companies which perform banking book activities, thereby taking into account diversification benefits.

Shift sensitivity analysis quantifies the change in value of a financial portfolio resulting from adverse movements in the main risk factors (interest rate, foreign exchange, equity and volatility). As regards interest rate risk, adverse movement is defined as a parallel and uniform shift of  $\pm 100$  basis points of the interest rate curve. The measurements include the risk originated by customer sight loans and deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits.

Furthermore, sensitivity of the interest margin is measured by quantifying the impact on net interest income of a parallel and instantaneous shock in the interest rate curve of  $\pm 100$  basis points, over a period of 12 months. Hedging activity of interest rate risk is aimed:

- (i) at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve; or
- (ii) at reducing the volatility of future cash flows related to a particular asset/liability.

The main types of derivative contracts used are interest rate swaps (IRS), overnight index swaps (OIS), cross currency swaps (CCS) and options on interest rates stipulated by the Parent Company with third parties or with other Group companies (mainly Banca IMI and Banca Caboto), which, in turn, replicate the transaction on the market so that the hedging deals meet the criteria to qualify as IAS compliant for consolidated financial statements. Hedging activities performed by the Intesa Sanpaolo Group are recorded using various hedge accounting methods. One method examines the fair value hedge of assets and liabilities specifically identified (microhedging), mainly bonds issued or acquired by the bank and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits in order to cover the risk of fair value changes in the instalments generated by floating rate operations.

Intesa Sanpaolo is exposed to this risk in the period from the date at which the rate is set and the date of payment of the relevant net interest. Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on variable rate funding to the extent that the latter finances fixed-rate investments.

The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting principles.

### ***Operational Risk***

Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risks include legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract responsibilities or other disputes. However, strategic and reputational risks are not included. In recent years, both Intesa and Sanpaolo IMI had commenced projects for the implementation of advanced operational risk management models. Though the adopted approach is similar, the complete integration of the methodological and organisational components requires that the objective of adoption of the advanced models be postponed until 2008.

The Intesa Sanpaolo Group has a centralised function within the Risk Management Department for the management of the Intesa Sanpaolo Group's operational risks. This function is responsible for the definition, implementation, and monitoring of the methodological and organisational framework, as well as for the measurement of the risk profile, the verification of mitigation effectiveness and reporting to the top management. In compliance with current requirements, the Intesa Sanpaolo Group's organisational units have been involved in the process and each of them was assigned the responsibility for the identification, assessment, management and mitigation of its operational risks. Specific functions have been identified within these organisational units to be responsible for Operational Risk Management.

The Intesa Sanpaolo Group's internal model is designed to combine the main quantitative (historical loss data) and qualitative information sources (scenario analysis).

The quantitative component is based on the statistical analysis of historical loss data, relating to internal or external events (also through the participation in consortium initiatives such as "Database Italiano Perdite Operative" – Italian Operating Loss Database, managed by the Italian Banking Association and Operational Risk Data Exchange Association).

The qualitative component focuses on the assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates aimed at assessment of specific scenarios identified on the basis of event types set out in the New Capital Accord. Capital-at-Risk is therefore identified as the measurement indicator at Group level, net of insurance cover, required to bear the maximum potential loss (worst loss). Capital-at-Risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operating losses), applied on quantitative and qualitative data assuming a one-year estimation period, with a level of confidence of 99.96 per cent. (99.90 per cent. for regulatory measurement).

The Intesa Sanpaolo Group utilises a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses, and thus contributing to the reduction of Capital-at-Risk.

### ***Funding and Liquidity Risk***

An Asset and Liability Management (ALM) system capable of managing hedge accounting consistently with international accounting standards is in place. The search for an optimal balance between the average maturity of loans and deposits, as well as the considerable degree of diversification both of shorter-term lending contracts and funding counterparties, is enacted via the monitoring of liquidity limits, funding concentration ratios and exposure on the

interbank market.

The rules and processes for the management of any emergencies caused by a liquidity crisis are set out in the Contingency Liquidity Plan which is activated in the event of systemic or specific crises (short-or-long term), that are monitored daily by specific indicators.

#### ***Issuer and counterparty risk***

Issuer risk in the trading portfolio is analysed in terms of mark to market, by aggregating exposures in rating classes and is monitored using a system of operating limits based on both rating classes and concentration indices. Counterparty risk, measured in terms of substitution cost, is monitored both in terms of individual and aggregate exposures.

#### ***Foreign exchange risk***

Currency risk positions are taken in both trading and non-trading books. As with market risk, the currency risk in the trading books is controlled using VaR limits (see the methodological approach described above), while the structural currency risk in the non-trading books is mitigated by funding the financial operations using the same asset currency.

#### ***Country risk***

Assessment of creditworthiness of sovereigns is based on an Internal Country Rating model which is used quarterly to update the rating of over 190 countries (at risk and not at risk). This model is based first of all on a quantitative analysis of the ratings issued by the main agencies (Moody's, Standard & Poor's Ratings Services and Fitch Ratings Limited) and the main macroeconomic indicators for each country. The analysis also includes an indicator for the political situation of the countries analysed and an indicator relative to the perception of country risk by the international financial markets (Moody's Market Implied Rating).

#### ***Competition***

Competition is intense in all of the Intesa Sanpaolo Group's primary business areas in Italy and the other countries in which the Intesa Sanpaolo Group conducts its business, including other European countries and the United States of America. Downturns in the Italian economy could add to competitive pressure, through, for example, increased price pressure and lower business volumes for Intesa Sanpaolo and its competitors to try to capture.

#### ***Legal risks***

The Intesa Sanpaolo Group is involved in various legal proceedings. Management believes that such proceedings have been properly analysed by the Intesa Sanpaolo Group and its subsidiaries in order to decide upon, if necessary or opportune, any increase in provisions for litigation to an adequate extent according to the circumstances and, with respect to some specific issues, to refer to it in the Covered Bonds to the financial statements in accordance with the applicable accounting standards. For more detailed information, see "Description of the Issuer – Litigation".

### **3. RISK FACTORS RELATING TO THE COVERED BONDS**

#### ***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 referred to 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 Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) 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.

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

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

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

#### ***Covered Bonds subject to optional redemption by the Issuer***

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

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

#### ***Index Linked Interest Covered Bonds and Dual Currency Covered Bonds***

The Issuer may issue Covered Bonds with interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Prospective investors should be aware that:

- (i) the market price of such Covered Bonds may be very volatile;

- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (v) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vi) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

#### *Zero Coupon Covered Bonds*

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

#### *Credit-Linked Covered Bonds and Equity-Linked Covered Bonds*

The Issuer may issue Credit-Linked Covered Bonds in which the relevant obligation to pay interest and/or principal is linked to the credit of one or more reference entities. There is no guarantee that the holders will receive the full principal amount of such Covered Bonds or any interest thereon and ultimately the obligations of the Issuer to pay principal under such Covered Bonds may even be reduced to zero. The Issuer may also issue Equity-Linked Covered Bonds in which the payment of principal and/or interest will be calculated by reference to the value of certain underlying shares. For their features, both Credit-Linked Covered Bonds and Equity-Linked Covered Bonds should be purchased by sophisticated investors that are able to adequately assess the risks connected with an investment in Credit-Linked Covered Bonds or Equity-Linked Covered Bonds.

#### *Variable Rate Covered Bonds with a multiplier or other leverage factor*

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps, floors or collars (or any combination of those features or other similar related features), their market values may be even more volatile than those for securities that do not include those features.

#### *Fixed/Floating Rate Covered Bonds*

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



prevailing rates on its Covered Bonds.

*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 remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***Risks related to Covered Bonds generally***

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

*Integral multiples of less than €50,000*

Subject to any minimum denomination applicable to Covered Bonds issued by the Issuer, in relation to any Covered Bonds issued in denominations representing the aggregate of: (i) a minimum specified denomination of €50,000, plus (ii) integral multiples of another smaller amount, Covered Bonds may be traded in amounts which, although greater than €50,000 (or its equivalent in another currency), are not integral multiples of €50,000 (or its equivalent). In such a case, a Covered Bondholder who, as a result of trading such amounts, holds a principal amount of less than €50,000 will not receive a definitive Covered Bond in respect of such holding (if definitive Covered Bonds are printed) and would need to purchase a principal amount of Covered Bonds such that it holds an amount equal to one of more specified denominations.

*Certain decisions of Representative of the Covered Bondholders taken without the consent or sanction of any of the Covered Bondholders*

Pursuant to the Rules of the Organisation of the Covered Bondholders, the Representative of the Covered Bondholders may, without the consent or sanction of any of the Covered Bondholders concur with the Issuer and/or the Covered Bonds Guarantor and any other relevant parties in making or sanctioning any modifications to the Rules of the Organisation of the Covered Bondholders, the Conditions and/or the other Transaction Documents:

- (i) provided that in the opinion of the Representative of the Covered Bondholders such modification is not materially prejudicial to the interests of any of the Covered Bondholders of any Series; or
- (ii) which in the opinion of the Representative of the Covered Bondholders are made to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or of a formal, minor or technical nature or are made to comply with mandatory provisions of law.

In establishing whether an error is established as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers reasonable to rely on, and may, but shall not be obliged to, have regard to all or any of the following:

- (i) a certificate from a Relevant Dealer (as defined in the “*Terms and Conditions of the Covered Bonds*” below), stating the intention of the parties to the relevant Transaction Document, confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention and stating the modification to the relevant Transaction Document that is required to reflect such intention;
- (ii) 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.

*Covered Bondholders are bound by Extraordinary Resolutions and Programme Resolutions*

A meeting of Covered Bondholders may be called to consider matters which affect the rights

and interests of Covered Bondholders. These include (but are not limited to): (a) instructing the Representative of the Covered Bondholders to take enforcement action against the Issuer and/or the Covered Bonds Guarantor; (b) 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; (c) alteration of the currency in which payments under the Covered Bonds are to be made; (d) alteration of the majority required to pass an Extraordinary Resolution; and (e) any amendments to the Covered Bonds Guarantee or the Deed 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).

Certain decisions of Covered Bondholders shall be taken at a Programme level by means of Programme Resolution. 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 Covered Bondholders 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.

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 Covered Bonds Guarantor (or the Representative of the Bondholders on its behalf). The rights and powers of the Covered Bondholders may only be exercised in accordance with the Rules of the Organisation of the Covered Bondholders. In addition, after the delivery of a Covered Bonds Guarantor Acceleration Notice, the protection and exercise of the Covered Bondholders' rights against the Covered Bonds Guarantor and the security under the Covered Bonds 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 Covered Bonds 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.

#### *Controls over the transaction*

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

#### *Limits to the Integration*

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

More specifically, under the BoI OBG Regulations, Integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the MEF Decree; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the Integration Assets Limit.

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

#### *EU Savings Directive*

If, pursuant to EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. However, if a withholding tax is imposed on payment made by a paying agent following implementation of the EU Savings Directive, the Issuer will be required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

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

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

#### **4. RISK FACTORS RELATING TO THE COVERED BONDS GUARANTOR AND THE COVERED BONDS GUARANTEE**

##### **Covered Bonds Guarantor only obliged to pay guaranteed amounts on the Due for Payment Date**

The Covered Bonds Guarantor has no obligation to pay the guaranteed amounts payable under the Covered Bonds Guarantee until service by the Representative of the Covered Bondholders:

- (i) on the Covered Bonds Guarantor of an Article 74 Notice to Pay or a Notice to Pay; and
- (ii) following the occurrence of a Covered Bonds Guarantor Events of Default, on the Covered Bonds Guarantor of a Covered Bonds Guarantor Acceleration Notice.

An Article 74 Notice to Pay can only be served if an Article 74 Event occurs and results in service by the Representative of the Covered Bondholders of an Article 74 Notice to Pay on the Covered Bonds Guarantor. A Notice to Pay can only be served if an Issuer Event of Default occurs and results in service by the Representative of the Covered Bondholders of a Notice to Pay on the Issuer and the Covered Bonds Guarantor. A Covered Bonds Guarantor Acceleration Notice can only be served if a Covered Bonds Guarantor Events of Default occurs.

Following service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay on the Covered Bonds Guarantor (provided that (a) an Issuer Event of Default has occurred and (b) no Covered Bonds Guarantor Acceleration Notice has been served) under the terms of the Covered Bonds Guarantee, the Covered Bonds Guarantor will be obliged to pay guaranteed amounts as on the Due for Payment Date. Such payments will be subject to and will be made in accordance with the Post-Issuer Default Priority of Payments. In these circumstances, other than the guaranteed amounts, the Covered Bonds Guarantor will not be obliged to pay any amount, for example in respect of broken funding indemnities, penalties, premiums, default interest or interest on interest which may accrue on or in respect of the Covered Bonds.

Pursuant to the Covered Bonds Guarantee, following the occurrence of an Article 74 Event or an Issuer Event of Default and service, respectively, of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, but prior to the occurrence of any Covered Bonds Guarantor Event of Default, the Covered Bonds Guarantor shall substitute the Issuer in every

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

Furthermore, please note that the above restrictions are provided for by either the MEF Decree or contractual agreements between the parties of the Covered Bonds Guarantee, and there is no case-law or other official interpretation on this issue. Therefore, we cannot exclude that a court might uphold a Covered Bondholder's right to act directly against the Issuer.

### **Extendable obligations under the Covered Bonds Guarantee**

With respect to the Series of Covered Bonds in respect of which the Extendable Maturity is specified in the relevant Final Terms, if the Covered Bonds Guarantor is obliged under the Covered Bonds Guarantee to pay a guaranteed amount and has insufficient funds available under the relevant priority of payments to pay such amount on the Maturity Date, then the obligation of the Covered Bonds Guarantor to pay such guaranteed amounts shall automatically be deferred to the relevant Extended Maturity Date. However, to the extent the Covered Bonds Guarantor has sufficient moneys available to pay in part the guaranteed amount in respect of the relevant Series of Covered Bonds, the Covered Bonds Guarantor shall make such partial payment in accordance with the relevant Priorities of Payments, as described in Condition 9 (*Redemption and Purchase*) on the relevant Maturity Date and any subsequent CB Payment Date falling prior to the relevant Extended Maturity Date. Payment of the unpaid amount shall be deferred automatically until the applicable Extended Maturity Date. Interest will continue to accrue and be payable on the unpaid guaranteed amount on the basis set out in the applicable Final Terms or, if not set out therein, Condition 9 (*Redemption and Purchase*), *mutatis mutandis*. In these circumstances, except where the Covered Bonds Guarantor has failed to apply money in accordance with the relevant Priorities of Payments in accordance with Condition 9 (*Redemption and Purchase*), failure by the Covered Bonds Guarantor to pay the relevant guaranteed amount on the Maturity Date or any subsequent CB Payment Date falling prior to the Extended Maturity Date (or the relevant later date following any applicable grace period) shall not constitute a Covered Bonds Guarantor Events of Default. However, failure by the Covered Bonds Guarantor to pay any guaranteed amount or the balance thereof, as the case may be, on the relevant Extended Maturity Date and/or pay any other amount due under the Guarantee will (subject to any applicable grace period) constitute a Covered Bonds Guarantor Events of Default.

### **No Gross-up for Taxes by the Covered Bonds Guarantor**

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 Covered Bonds Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

### **Limited resources available to the Covered Bonds Guarantor**

The Covered Bonds Guarantor's ability to meet its obligations under the Covered Bonds Guarantee will depend on the realisable value of the Portfolio, the amount of principal and revenue proceeds generated by the Portfolio, Eligible Investments and Authorised Investments and the timing thereof and amounts received from the Hedging Counterparties, the Receivables Collection Account Bank and the Account Bank. The Covered Bonds Guarantor will not have any other source of funds available to meet its obligations under the Covered Bonds Guarantee.

If a Covered Bonds Guarantor Event of Default occurs, the proceeds of the Portfolio, Eligible Investments and Authorised Investments and the amounts received from the Hedging Counterparties, the Receivables Collection Account Bank and the Account Bank, may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders. If the Secured Creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Coverage Test and the Amortisation Test have been structured to ensure that the outstanding nominal amount of the Portfolio shall be equal to, or greater than, the nominal amount of the outstanding Covered Bonds. In addition the MEF Decree and the BoI OBG Regulations provide for certain further tests aimed at ensuring that (a) the net present value of the Portfolio (net of certain costs) shall be equal to, or greater than, the net present value of the Covered Bonds; and (b) the amount of interests and other revenues generated by the Portfolio (net of certain costs) shall be equal to, or greater than, the interests and costs due by the Issuer under the Covered Bonds.

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

### **Reliance of the Covered Bonds Guarantor on third parties**

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

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

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

### **Reliance on Hedging Counterparties**

To provide a hedge against currency risk and/or interest rate risks in respect of each Series of the Covered Bonds issued under the Programme, the Covered Bonds Guarantor may enter into the CB Swap with the CB Hedging Counterparty. Finally, to provide a hedge against currency risk and/or interest rate risk on the Portfolio, the Covered Bonds Guarantor entered into the TBG 1 Swap and the TBG 2 Swap (together the “**TBG Swaps**” and jointly with the CB Swap, the “**Swap Agreements**”) respectively with the TBG 1 Hedging Counterparty and the TBG 2 Hedging Counterparty (together the “**TBG Hedging Counterparties**” and jointly with the CB Hedging Counterparty the “**Hedging Counterparties**”).

If the Covered Bonds Guarantor fails to make timely payments of amounts due under any Swap

Agreement, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap. A Hedging Counterparty is (unless otherwise stated in the relevant Master Agreement) only obliged to make payments to the Covered Bonds Guarantor as long as the Covered Bonds Guarantor complies with its payment obligations under the relevant Swap. In circumstances where non-payment by the Covered Bonds Guarantor under a Swap does not result in a default under that Swap, the Hedging Counterparty may be obliged to make payments to the Covered Bonds Guarantor pursuant to the Master Agreements as if payment had been made by the Covered Bonds Guarantor. Any amounts not paid by the Covered Bonds Guarantor to a Hedging Counterparty may in such circumstances incur additional amounts of interest by the Covered Bonds Guarantor, which would rank senior to amounts due on the Covered Bonds. If the Hedging 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 Covered Bonds Guarantor on the payment date under the Master Agreements, the Covered Bonds Guarantor will be exposed to changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest.

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

If the Covered Bonds Guarantor is obliged to pay a termination payment under any Master Agreement, such termination payment may rank ahead of amounts due on the Covered Bonds and with amounts due under the Covered Bonds Guarantee. Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Covered Bonds Guarantor to meet its respective obligations under the Covered Bonds Guarantee.

#### **Limited description of the Portfolio**

Covered Bondholders may not receive detailed statistics or information in relation to the Public Assets and Integration Assets comprised in the Portfolio, because it is expected that the constitution of the Portfolio will frequently change due to, for instance:

- (i) the Seller selling further Public Assets and Integration Assets (or Public Assets and Integration Assets, which are of a type that have not previously been comprised in the Portfolio to the Covered Bonds Guarantor); and
- (ii) the Seller repurchasing certain Public Assets and Integration Assets in accordance with the Master Transfer Agreement;
- (iii) the Seller and the Servicer being granted by the Covered Bonds Guarantor with a wide power to renegotiate the terms and conditions of the Public Assets and Integration Assets.

However, each Receivable will be required to meet the Criteria and to conform to the representations and warranties set out in the Warranty and Indemnity Agreement — see “*Description of the Transaction Documents — Warranty and Indemnity Agreement*”. In addition, the Tests are intended to ensure, *inter alia*, that the ratio of the Covered Bonds Guarantor’s assets to the Covered Bonds is maintained at a certain minimum level and the

Calculation Agent will provide on each Calculation Date a report that will set out, *inter alia*, certain information in relation to the Tests.

In accordance with the Portfolio Administration Agreement, the Issuer and any Additional Seller may sell to the Covered Bonds Guarantor, and the latter shall purchase, Public Assets and Integration Assets, subject to, *inter alia*: (i) the execution of a master transfer agreement by the Issuer or the Additional Seller, substantially in the form of the Master Transfer Agreement (ii) the granting of a subordinated loan by the Additional Seller for the purpose of financing the purchase of Public Assets or Integration Assets from it, in accordance with the provision of a subordinated loan agreement to be executed substantially in the form of the Subordinated Loan Agreement.

#### **Sale of Selected Assets following the occurrence of an Article 74 Event or an Issuer Event of Default**

If an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay is served on the Covered Bonds Guarantor, if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, then the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets (selected on a random basis), provided that no representations and warranties will be given by the Covered Bonds Guarantor in respect of the Selected Assets sold (see “*Description of the Transaction Documents — Portfolio 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 may be able to be obtained for such Selected Assets, which may affect payments under the Covered Bonds Guarantee. However, the Selected Assets may not be sold by the Covered Bonds Guarantor (through the Servicer) for an amount lower than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds until 6 (six) months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date in respect of such Covered Bonds. If, *inter alia*, Selected Assets have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is 6 (six) months prior to the Maturity Date or Extended Maturity Date of a Series of Covered Bonds which are not Long Dated Covered Bonds, the Covered Bonds Guarantor (through the Servicer) is obliged to sell the Selected Assets for the best price reasonably available notwithstanding that such price may be less than the Adjusted Required Redemption Amount (see “*Description of the Transaction Documents — Portfolio Administration Agreement*”).

#### **Realisation of assets following the occurrence of a Covered Bonds Guarantor Event of Default**

If a Covered Bonds Guarantor Events of Default occurs and a Covered Bonds Guarantor Acceleration Notice is served on the Covered Bonds Guarantor, then the Representative of the Covered Bondholders shall, in the name and on behalf of the Covered Bonds Guarantor, direct the Servicer to sell the Selected Assets as quickly as reasonably practicable taking into account the market conditions at that time (see “*Description of the Transaction Documents — Portfolio Administration Agreement*”).

There is no guarantee that the proceeds of realisation of the Portfolio will be in an amount sufficient to repay all amounts due to creditors (including the Covered Bondholders) under the Covered Bonds and the Transaction Documents. If a Covered Bonds Guarantor Acceleration Notice is served on the Covered Bonds 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 Portfolio or the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds 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 Selected Assets comprised in the Portfolio

may be reduced (which may affect the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee) by, *inter alia*:

- (i) default by the Debtors on amounts due in respect of Public Assets and Integration Assets;
- (ii) changes to the lending criteria of the Seller;
- (iii) set-off risks in relation to some types of Public Assets and Integration Assets comprised in the Portfolio;
- (iv) possible regulatory changes by the Bank of Italy, Consob and other regulatory authorities;
- (v) adverse movement of the interest rate;
- (vi) unwinding cost related to the hedging structure; and
- (vii) regulations in Italy that could lead to some terms of the Public Assets and Integration Assets being unenforceable.

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

#### **Default by Debtors in paying amounts due on Receivables or Securities**

Debtors may default on their obligations due under the Receivables or the Securities for a variety of reasons. The Public Assets and Integration Assets are affected by credit, liquidity and interest rate risks. Various factors influence delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Certain factors may lead to an increase in default by the Debtors, and could ultimately have an adverse impact on the ability of the Debtors to repay the Receivables or the Securities.

#### **Changes to the lending criteria of the Seller**

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



the calculation of the Tests.

### **Legal risks relating to the Loans**

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

#### *Set-off risks*

The assignment of receivables under Law 130 is governed by Article 58, paragraph 2, 3 and 4, of the Banking Law. According to the prevailing interpretation of such provision, such assignment becomes enforceable against the relevant Debtors as of the later of: (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Covered Bonds 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. Some of the Loans in the Portfolio may have increased risks of set-off, because the Seller or, as applicable, the relevant Originator is required to make payments under them to the Debtors. In addition, the exercise of set-off rights by Debtors may adversely affect any sale proceeds of the Portfolio and, ultimately, the ability of the Covered Bonds Guarantor to make payments under the Covered Bonds Guarantee.

#### *Usury Law*

Italian Law number 108 of 7 March 1996 (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. Although the Italian Government subsequently intervened by enacting a decree aimed at softening the effect of the Usury Law, the amount payable by Debtors pursuant to the Loans may be subject to reduction, renegotiation or repayment.

#### *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 three-monthly 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 Loans may be prejudiced.

*Loans disbursed by lenders in pool (Associazione Temporanea di Imprese or Raggruppamento Temporaneo)*

The Portfolio includes certain Loans disbursed by lenders in pool (*Associazioni Temporanee di Imprese* or *Raggruppamento Temporaneo*).

Pursuant to Italian law, should a pool of banks participate in a public auction for the granting of a loan towards a public entity, such banks are requested to form an *Associazione Temporanea di Imprese* or *Raggruppamento Temporaneo*, such a temporary association of enterprises, and give an irrevocable mandate (an *in rem propriam* mandate) to one of them acting as agent bank. The agent bank is entitled, *inter alia*, to enter into the loan agreement and perform all the recovery and collection activity towards the Debtor. In particular, the agent bank is, among the lenders, the only entity entitled to exercise the enforcement, recovery and collection activities towards the Debtor, provided that the agent bank shall, in accordance with an intercreditor agreement, distribute to each of the lender the relevant reimbursement amount. The lenders constituting the pool are therefore subject to the timing of payment by the agent bank and to the due fulfillment of its obligation under the intercreditor agreement.

Certain Loans included in the Portfolio are loans disbursed by lenders in the pool and, in respect to some of such loans, BIIS acts as agent bank otherwise BIIS acts as principal.

Where BIIS acts as agent bank, BIIS may, in accordance with the provisions regulating the *Associazione Temporanea di Imprese*, assign its rights against the Debtor, but nevertheless will remain the only recognised counterparty for the public entity Debtor and, accordingly, the only entitled to perform, also in the interest of the Covered Bonds Guarantor, the enforcement and recovery procedures *vis-à-vis* such Debtor.

In the event that BIIS is not the agent bank, but acts solely in its capacity as a lender in the pool, BIIS would, following the assignment of the Loan and the Portfolio, not be able to supervise the enforcement, recovery and collection activities, which are performed by the relevant agent bank.

For the avoidance of doubt, the Covered Bonds Guarantor shall only be able to rely on the relevant agent bank fulfilling its obligations in a timely and orderly fashion.

The Transaction Documents contain certain provisions aimed at mitigating the risks mentioned above. In particular, in accordance with the Servicing Agreement and the Portfolio Administration Agreement, upon the occurrence of an ATI Agent Trigger Event, the Issuer and the Servicer are required to implement certain ATI Agent Remedy Actions. (For a complete description see “*Credit Structure*”).

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

## GENERAL DESCRIPTION OF THE PROGRAMME

*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, 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.*

### 1. PRINCIPAL PARTIES

#### Issuer

Intesa Sanpaolo S.p.A., a bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazza San Carlo 156, Turin, Italy and secondary office at Via Monte di Pietà 8, Milan, Italy, incorporated with Fiscal Code number and registration number with the Turin Register of Enterprises 00799960158, VAT number 10810700152, and registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 5361 and which is the parent company of the Intesa Sanpaolo Group, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia (the “**Issuer**” or “**Intesa Sanpaolo**”).

#### Arranger

Banca IMI S.p.A., a bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is at Piazzetta Giordano dell’Amore 3, 20121 Milan, Italy, incorporated with Fiscal Code number, VAT number and registration number with Milan Register of Enterprises No. 04377700150, and registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 5570 ABI, part of the Gruppo Bancario Intesa Sanpaolo, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia (“**Banca IMI**” or the “**Arranger**”).

#### Dealer

As of the date hereof Banca IMI (the “**Dealer**”), and any entity so appointed by the Issuer in accordance with the terms of the Dealer Agreement.

#### Covered Bonds Guarantor

ISP CB PUBBLICO S.r.l. a limited liability company incorporated under Article 7-bis of Law 130, whose registered office is at Via Monte di Pietà 8, 20121 Milan, Italy, incorporated with Fiscal Code number and registration number with the Milan Register of Enterprises No. 05936150969 and registered under No. 40387 in the general register held by *Unità di Informazione Finanziaria* established at the Bank of Italy pursuant to Article 106 of the Banking Law (the “**Covered Bonds Guarantor**”, as the case may be).

The issued capital of the Covered Bonds Guarantor is equal to Euro 120,000.00, 60 per cent. owned by the Issuer and 40 per cent. owned by Stichting Viridis 2.

#### Seller

Banca Infrastrutture Innovazione e Sviluppo S.p.A. (BIIS S.p.A.), a

bank organised as a joint stock company under the laws of the Republic of Italy, whose registered office is at Via del Corso 226, 00186 Rome, Italy, incorporated with Fiscal Code number, registration number with the Rome Register of Enterprises and VAT number 08445111001, and registered with the Bank of Italy pursuant to Article 13 of the Banking Law under number 5434, part of Intesa Sanpaolo Group, agreed into the Fondo Interbancario di Tutela dei Depositi and into the Fondo Nazionale di Garanzia (the “**Seller**” or “**BIIS**”).

#### **Additional Sellers**

Any bank (each an “**Additional Seller**”), other than the Seller, which is a member of the Intesa Sanpaolo Group, may sell Public Assets or Integration Assets (as defined below) to the Covered Bonds Guarantor, subject to satisfaction of certain conditions, and that, for such purpose, shall, *inter alia*, enter into a master transfer agreement, substantially in the form of the Master Transfer Agreement, a servicing agreement, substantially in the form of the Servicing Agreement, and a subordinated loan agreement, substantially in the form of the Subordinated Loan Agreement, and shall accede the Intercreditor Agreement (which will be amended in order to take into account the granting of additional subordinated loans) and the other Transaction Documents executed by the Seller.

#### **Servicer**

BIIS, in its capacity as servicer under the Servicing Agreement (the “**Servicer**”).

#### **Successor Servicer**

The party or parties (the “**Successor Servicer**”) which will be appointed in order to perform, *inter alia*, the servicing activities performed by the Servicer, and any successor or replacing entity thereto following the occurrence of a Servicer Termination Event (for a more detailed description see “*Description of the Transaction Documents – Servicing Agreement*”).

#### **Administrative Services Provider**

Intesa Sanpaolo in its capacity as administrative services provider under the Administrative Services Agreement (the “**Administrative Services Provider**”).

#### **Portfolio Manager**

The entity to be appointed under the Portfolio Administration Agreement in order to carry out certain activities in connection with the sale of Public Assets, following the occurrence of an Issuer Event of Default or a Covered Bonds Guarantor Event of Default (the “**Portfolio Manager**”).

#### **Asset Monitor**

Mazars S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Corso di Porta Vigentina, 35, 20122, Milan, Italy, fiscal code and enrolment with the companies register of Milan No. 01507630489, and enrolled under No. 97909 with the special register of accounting firms held by the

*Commissione Nazionale per le Società e la Borsa* pursuant to article 161 of the Financial Law (the “**Asset Monitor**”).

### **Cash Manager**

Intesa Sanpaolo S.p.A., through its branch whose registered office is at Via Verdi 8, Milan in its capacity as cash manager under the Cash Management and Agency Agreement (the “**Cash Manager**”).

### **Receivables Collection Account Bank**

BIIS, with which the Receivables Collection Accounts (as defined below) are opened and held in the name of the Covered Bonds Guarantor, on which all the amounts collected or recovered by the Servicer in respect of the Portfolio will be transferred in accordance with the terms of the Servicing Agreement and the Cash Management and Agency Agreement (the “**Receivables Collection Account Bank**”).

The Receivables Collection Accounts will be maintained with the Receivables Collection Account Bank for as long as it maintains the Minimum Required Receivables Collection Account Bank Rating provided for under the Transaction Documents.

### **Account Bank**

Intesa Sanpaolo, through its branch located at Via Verdi 8, Milan, with which additional accounts (the “**Other Accounts**” and together with the Receivables Collection Accounts the “**Accounts**”) are opened and held in the name of the Covered Bonds Guarantor in accordance with the terms of the Cash Management and Agency Agreement (the “**Account Bank**”).

The Accounts will be maintained with the Account Bank for as long as it maintains the Minimum Required Account Bank Rating provided for under the Transaction Documents.

### **Calculation Agent**

Securitisation Services S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Vittorio Alfieri No. 1, Conegliano (TV), Italy, incorporated with Fiscal Code number, Vat number and registration number with the Treviso Register of Enterprises No. 03546510268, and registered in the general list of financial intermediaries held by *Unità di Informazione Finanziaria* established at the Bank of Italy under No. 31816, pursuant to Article 106 of the Banking Law, and in the special register held by the Bank of Italy pursuant to Article 107 of the Banking Law (the “**Calculation Agent**”). The Calculation Agent will perform certain calculations and conduct certain tests pursuant to the Transaction Documents.

### **CB Hedging Counterparty**

BIIS and any other party (each, a “**CB Hedging Counterparty**” and together, the “**CB Hedging Counterparties**”) that, from time to time, will enter into a CB Swap (as defined below) with the Covered Bonds Guarantor for the hedging of currency risk and/or interest rate risk on the Covered Bonds.

### **TBG 1 Hedging Counterparty**

BIIS and any other party (each, a “**TBG 1 Hedging Counterparty**” and together, the “**TBG 1 Hedging Counterparties**”) that, from time to time, will enter into a TBG 1 Swap (as defined below) with the Covered Bonds Guarantor for the hedging of currency and/or interest rate risk on the Portfolio.

**TBG 2 Hedging Counterparty**

BIIS and any other party (each, a “**TBG 2 Hedging Counterparty**” and together, the “**TBG 2 Hedging Counterparties**” and jointly with the TBG 1 Hedging Counterparties, the “**TBG Hedging Counterparties**” and together with the CB Hedging Counterparties, the “**Hedging Counterparties**”) that, from time to time, will enter into a TBG 2 Swap (as defined below) with the Covered Bonds Guarantor for the hedging of currency and/or interest rate risk on the Portfolio.

**Paying Agent**

Deutsche Bank S.p.A. a bank incorporated under the laws of the Republic of Italy, whose registered office is at Piazza del Calendario No. 3, Milan, Italy, in its capacity as paying agent of the Covered Bonds under the Cash Management and Agency Agreement (the “**Paying Agent**”).

**Luxembourg Agent**

**Listing**

Sanpaolo Bank S.A. a bank incorporated under the laws of Luxembourg, whose registered office is at 8, Avenue de la Liberté, L-1930 Luxembourg, in its capacity as Luxembourg listing agent under the Cash Management and Agency Agreement (the “**Luxembourg Listing Agent**”).

**Representative of the Covered Bondholders**

Finanziaria Internazionale Securitisation Group S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Via Vittorio Alfieri 1, Conegliano (TV), Italy, incorporated with Fiscal Code number and registration number with the Treviso Register of Enterprises No. 00508480340, VAT No. 02461120269, and registered in the general list of financial intermediaries held by *Unità di Informazione Finanziaria* established at the Bank of Italy under No. 8945, pursuant to Article 106 of the Banking Law (the “**Representative of the Covered Bondholders**”).

**Rating Agency**

Moody’s Investors Service (“**Moody’s**” or the “**Rating Agency**”).

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

As of the date of this Base Prospectus, no direct or indirect ownership or control relationships exist between the principal parties described above in this Section, other than the relationships existing between the Issuer, Banca IMI, BIIS, the Luxembourg Listing Agent, and of the Covered Bonds Guarantor all of which pertain to the Intesa Sanpaolo

Group.

## 2. THE COVERED BONDS AND THE PROGRAMME

### Description:

€10,000,000,000.00 Covered Bond Programme.

### Programme Amount

Up to €10,000,000,000.00 (and for this purpose, any Covered Bonds 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 (the “**Programme Limit**”). The Programme Limit may be increased in accordance with the terms of the Dealer Agreement.

### Distribution of the Covered Bonds

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

### Selling Restrictions

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

### Currencies

Covered Bonds may be denominated in Euro, UK Sterling, Swiss Franc, Japanese Yen and US Dollar, as specified in the applicable Final Terms, or in any other currency, as may be agreed between the Issuer and the Relevant Dealer(s) (each a “**Specified Currency**”), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, in which case the Covered Bonds Guarantor and/or the Issuer may enter into certain agreements in order to hedge *inter alia* its currency exchange exposure in relation to such Covered Bonds. Payments in respect of Covered Bonds may, subject to such compliance, be made in or linked to, any currency other than the currency in which such Covered Bonds are denominated.

### Denominations

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*)).

#### **Minimum Denomination**

The minimum denomination of each Covered Bonds will be €50,000 or such other integral multiples of another smaller amount (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

#### **Issue Price**

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

#### **Issue Date**

The date of issue of a Series pursuant to and in accordance with the Dealer Agreement (each, the “**Issue Date**” in relation to such Series).

#### **Initial Issue Date**

The date on which the Issuer will issue the first Series of Covered Bonds (the “**Initial Issue Date**”).

#### **CB Payment Date**

The dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms, subject in each case, to the extent provided in the relevant Final Terms, to adjustment in accordance with the applicable Business Day Convention (as defined in the Conditions) (such date, a “**CB Payment Date**”).

#### **CB Interest Period**

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

#### **Interest Commencement Date**

In relation to any Series 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 Commencement Date**”).

#### **Form of Covered Bonds**

The Covered Bonds will be issued and 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 will be deposited with Monte Titoli on the relevant Issue Date. Monte Titoli shall act as depositary for Clearstream and Euroclear. The Covered Bonds will, at all times, be held in book entry form and title to the Covered Bonds will be evidenced by book entries in accordance with the provisions of the Financial Law, Legislative Decree No. 213 and with CONSOB



Resolution No. 16190 issued on 29 October 2007, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds.

### **Types of Covered Bonds**

In accordance with the Conditions, the Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index-Linked Interest Covered Bonds, Dual Currency 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 Index-Linked Redemption Covered Bonds, Dual Currency Covered Bonds, 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 shall be comprised of Fixed Rate Covered Bonds only or Floating Rate Covered Bonds only or Index-Linked Interest/Redemption Covered Bonds only or Zero Coupon Covered Bonds only or Dual Currency 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.

*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 Relevant Dealers (as defined below) and on redemption, and will be calculated on the basis of such Day Count Fraction provided for in the Conditions and the relevant Final Terms.

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

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

*Index-Linked Interest Covered Bonds:* Payments of interest in respect of Index-Linked Interest Covered Bonds will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the Relevant Dealers may agree and as provided in the applicable Final Terms.

*Other Linked Covered Bonds:* Covered Bonds may be issued under the Programme which are either Credit Linked Covered Bonds or Equity Linked Covered Bonds. The specific terms of any linked instruments will be set out in the applicable Final Terms.

Credit-Linked Covered Bonds may be principal protected instruments (in which the relevant obligation to pay interest is linked to the credit of one or more reference entities) and/or full instruments (*i.e.* instruments whereby the Issuer may redeem either at a cash redemption amount (above or at par) or physically by delivering deliverable obligations upon the occurrence of certain events relating to the credit of one or more reference entities).

Equity Linked Covered Bonds may be either cash settled (in which payments of principal and/or interest will be calculated by reference to the value of underlying shares, as will be set out in the applicable

Final Terms) and/or physically delivered equity instruments (in which the Issuer will deliver a specific number of the underlying shares, other than shares of the Issuer and its subsidiaries, in respect of such instruments).

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

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

*Dual Currency Covered Bonds:* Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as the Issuer and the Relevant Dealer may agree.

*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.

**The issuance of certain types of Covered Bonds may require a prior amendment to the Transaction Documents.**

### **Rating of the Covered Bonds**

The issue of any Series of Covered Bonds (including, for the avoidance of doubt, Index-Linked Interest Covered Bonds, Credit-Linked Covered Bonds, Dual Currency Covered Bonds and Zero Coupon Covered Bonds) in each case as specified in the applicable Final Terms shall be rated by the Rating Agency.

### **Issuance in Series**

Covered Bonds will be issued in Series, but on different terms from each other, subject to the terms set out in the relevant Final Terms in respect of such Series. Covered Bonds of different Series will not be fungible among themselves. Series may be issued in more than one Tranche (as defined under the Conditions) which are identical in all respects, but having different issue dates, interest commencement dates, issue prices and dates for first interest payments. The Issuer will issue Covered Bonds without the prior consent of the holders of any outstanding Covered Bonds but subject to certain conditions (See “*Conditions Precedent to the Issuance of a new series of Covered Bonds*” below).

### **Final Terms**

Specific final terms will be issued and published in accordance with the generally applicable terms and conditions of the Covered Bonds (the “**Conditions**”) prior to the issue of each Series detailing certain relevant terms thereof which, for the purposes of that Series only, supplements the Conditions and the Base Prospectus and must be read in conjunction with the Base Prospectus (such specific final terms, the “**Final Terms**”). The terms and conditions applicable to any

particular Series are the Conditions as supplemented, amended and/or replaced by the relevant Final Terms.

### **Interest on the Covered Bonds**

Except for the Zero Coupon Covered Bonds and unless otherwise specified in the Conditions and the relevant Final Terms, the Covered Bonds will be interest-bearing and interest will be calculated on the Outstanding Principal Balance of the relevant Covered Bonds. Interest will be calculated on the basis of such Day Count Fraction in accordance with the Conditions and 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 or interest may be index-linked and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Series.

### **Margin Step-up**

Final Terms may specify, with respect to a Series of Covered Bonds which are Floating Rate Covered Bonds, that, in the event such Covered Bonds are not redeemed in full on the Maturity Date (as defined under the relevant terms and conditions), the margin payable on such Covered Bonds increases in accordance with the terms specified in the relevant Final Terms.

### **Interest Rate Conversion**

The relevant Final Terms may specify, with respect to a Series of Covered Bonds which are Fixed Rate Covered Bonds, that, in the event such Covered Bonds are not redeemed in full on the Maturity Date, the interest rate payable on such Covered Bonds converts to a floating rate index plus a conversion margin in accordance with the terms specified in the relevant Final Terms.

### **Redemption of the Covered Bonds**

The applicable Final Terms will indicate either (a) that the Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or in other specified cases, e.g. taxation reasons, or Covered Bonds Guarantor Events 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**”), or at the option of the Covered Bondholders upon deposit of a notice by the Representative of Covered Bondholders on behalf of the holders of the Covered Bonds with the Paying Agent, and in accordance with the provisions of Condition 9 (*Redemption and Purchase*) 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 Relevant Dealers (as set out in the applicable Final Terms).

Covered Bonds may be redeemable at par or at such other redemption amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms but 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.

#### **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 as provided in Condition 11 (*Taxation*).

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 9(c) (*Redemption for tax reasons*).

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

#### **Maturity Date**

The final maturity date for each Series (the “**Maturity Date**”) will be specified in the relevant Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the currency of the Covered Bonds. Unless previously redeemed as provided in Condition 9 (*Redemption and Purchase*), the Covered Bonds of each Series will be redeemed at their Outstanding Principal Balance on the relevant Maturity Date.

#### **Extendable Maturity**

The applicable Final Terms may also provide that the obligations of the Covered Bonds Guarantor to pay all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 9(b) (*Extension of maturity*) (the “**Extended Maturity Date**”). Such deferral may occur, if so stated in the relevant Final Terms, automatically if:

- (a) an Article 74 Event or an Issuer Event of Default has occurred; and
- (b) the Covered Bonds Guarantor has, on the Extension Determination Date, insufficient Available Funds (in accordance with the Post-Issuer 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 of Covered Bond as set out in the relevant Final Terms (the “**Final Redemption Amount**”) on the Maturity Date (the “**Extendable Maturity**”).

In these circumstances, to the extent that the Covered Bonds Guarantor has sufficient Available Funds (as defined below) to pay in part the Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Covered Bonds Guarantor shall make partial

payment of the relevant Final Redemption Amount, in accordance with the Post-Issuer Default Priority of Payments (as defined below), without any preference among the Covered Bonds outstanding, except in respect of maturities of each Series.

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 Covered Bonds 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 any unpaid amount up to the Extended Maturity Date in accordance with Condition 9(b) (*Extension of maturity*).

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

#### **Long Dated Covered Bonds**

If the Extended Maturity Date is set at the Long Date Due for Payment Date in the relevant Final Terms, the relevant Covered Bonds will be considered “**Long Dated Covered Bonds**”.

“**Long Date Due For Payment Date**” means the CB Payment Date immediately following the tenth anniversary of the last maturity date of the Public Asset or Integration Asset contained in the Portfolio.

#### **Hard Bullet Covered Bonds**

If no Extended Maturity Date is specified in the relevant Final Terms, the Final Redemption Amount in respect to a Series of Covered Bonds (the “**Hard Bullet Covered Bonds**”) will be due for payment on the Maturity Date and the Pre-Maturity Liquidity Test shall apply.

#### **Ranking of the Covered Bonds**

The Covered Bonds will constitute direct, unconditional, unsubordinated obligations of the Issuer – guaranteed by the Covered Bonds Guarantor by means of the Covered Bonds Guarantee (as defined below) – and will rank *pari passu* without any preference among themselves, except in respect of maturities of each Series, and (save for any applicable statutory provisions) at least equally with all other present and future unsecured, unsubordinated obligations of the Issuer having the same maturity of each Series of the Covered Bonds, from time to time outstanding.

#### **Recourse**

In accordance with the legal framework established by Law 130 and the MEF Decree (as defined below) 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 on the Covered Bonds Guarantor. (See Section *Credit Structure*). The obligation of the Covered Bonds Guarantor under the Covered Bonds Guarantee shall be limited recourse to the Portfolio.

### **Substitution of the Issuer**

The Representative of the Covered Bondholders may (and in the case of an Approved Reorganisation – as defined under the Conditions – shall) agree with the Issuer (or any previous substitute) and the Covered Bonds Guarantor at any time without the consent of the Covered Bondholders:

- (a) to the substitution in place of Intesa Sanpaolo (or of any previous substitute) as principal debtor under the Covered Bonds by any bank Subsidiary of Intesa Sanpaolo (the “**Substitute Obligor**”) by way of an Issuer obligation transfer agreement without recourse to the Issuer (*accollo liberatorio*); or
- (b) to an Approved Reorganisation; or
- (c) that Intesa Sanpaolo (or any previous substitute) may, other than by means of an Approved Reorganisation, consolidate with, merge into or amalgamate with any successor company,

provided that, *inter alia*:

- (i) the obligations of the Substitute Obligor or the Resulting Entity under the Covered Bonds shall be irrevocably and unconditionally guaranteed by Intesa Sanpaolo (on like terms as to subordination, if applicable, to those of the Covered Bonds Guarantee); and
- (ii) (other than in the case of an Approved Reorganisation) the Representative of the Covered Bondholders is satisfied that the interests of the Covered Bondholders will not be materially prejudiced thereby.
- (iii) the Substitute Obligor or the Resulting Entity agrees, in form and manner satisfactory to the Representative of the Covered Bondholders, to be bound by the terms and conditions of the Covered Bonds and all the Transaction Documents in respect to any Series of Covered Bonds still outstanding, by means of executing agreements and documents substantially in the same form and substance of the Transaction Documents;
- (iv) the Representative of the Covered Bondholders is satisfied that (a) the Resulting Entity or Substituted Obligor has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Covered Bonds in place of the Issuer (or such previous substitute as aforesaid), and (b) such approvals and consents are, at the time of substitution, Approved Reorganisation or consolidation, merger, amalgamation other than by means of an Approved Reorganisation, as the case may be, in full force and effect.

Upon the assumption of the obligations of the Issuer by a Substitute Obligor or of the Issuer by a Resulting Entity (as defined under the Conditions) or of an Issuer by a successor company, Intesa Sanpaolo

shall have no further liabilities under or in respect of the Covered Bonds.

### **Provisions of Transaction Documents**

The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

### **Conditions Precedent to the Issuance of a new Series of Covered Bonds**

The Issuer will be entitled (but not obliged) at its option, on any date and without the consent of the holders of the Covered Bonds issued beforehand and of any other creditors of the Covered Bonds Guarantor or of the Issuer, to issue further Series of Covered Bonds other than the first issued Series, subject to:

- (i) issuance of a rating letter by the Rating Agency with respect to such further issue of Covered Bonds; and
- (ii) satisfaction of the Tests both before and immediately after such further issue of Covered Bonds; and
- (iii) compliance with (a) the requirements of issuing/assigning banks (*Requisiti delle banche emittenti e/o cedenti*; see Section II, Para. 1 of the BoI OBG Regulations; the “**Conditions to the Issue**”) and (b) the limits to the assignment of further Assets set forth by the BoI OBG Regulations (*Limiti alla cessione*; see Section II, Para. 2 of the BoI OBG Regulations; the “**Limits to the Assignment**”), if applicable;
- (iv) no Article 74 Event (as defined below) having occurred;
- (v) no Issuer Event of Default or Covered Bonds Guarantor Event of Default (as defined below) having occurred;
- (vi) the Reserve Funds Required Amount, the ATI Commingling Reserve Amount, the CB Swaps Accumulation Amount and the Interest Accumulation Amount (if and to the extent due) have been credited on the Investment Account, on the immediately preceding Guarantor Payment Date.

It is a condition precedent to the issue of Long Dated Covered Bonds that no Series of Covered Bonds which are not Long Dated Covered Bonds are outstanding.

It is a condition precedent to the issue of a Series of Covered Bonds which are not Long Dated Covered Bonds that no Series of Long Dated Covered Bonds are outstanding.

The payment obligations under the Covered Bonds issued under all Series shall be cross-collateralised by all the assets included in the Portfolio, through the Covered Bonds Guarantee (as defined below)

(See also Section *Ranking of the Covered Bonds*).

#### **Listing and admission to trading**

Application has been made to the Luxembourg Stock Exchange for Covered Bonds to be issued under the Programme to be admitted to the official list and to be admitted to trading on the Luxembourg Stock Exchange's regulated market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Covered Bonds may be unlisted.

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

#### **Settlement**

Monte Titoli / Euroclear / Clearstream.

#### **Governing law**

The Covered Bonds, the Programme and the other Transaction Documents will be governed by Italian law except for Swap Agreements and the Deed of Charge that will be governed by English law.

#### **Ratings**

Each Series issued under the Programme shall be rated by the Rating Agency. As at the date hereof, the Covered Bonds to be issued under the Programme are expected to be rated Aaa.

#### **Purchase of the Covered Bonds by the Issuer**

The Issuer may at any time purchase any Covered Bonds in the open market or otherwise and at any price. If purchase is made by tender, tenders must be available to all holders of the Series which the Issuer intends to buy.

### **3. COVERED BONDS GUARANTEE**

#### **Security for the Covered Bonds**

In accordance with Law 130, by virtue of the Covered Bonds Guarantee, the Covered Bondholders will benefit from a guarantee issued by the Covered Bonds Guarantor which will, in turn, hold a portfolio of receivables originated by the Seller and Additional Seller, if any, consisting of some or all of the following assets: (i) loans (the "**Loans**") extended to, or guaranteed by (on the basis of "guarantees valid for the purpose of credit risk mitigation" – *garanzie valide ai fini della mitigazione del rischio di credito* – as defined by Article 1, paragraph 1, lett. h) of the MEF Decree), the public entities indicated in Article 2, paragraph 1, lett. c) of the MEF Decree (including (a) public administrations of Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the "Standardised Approach" to credit risk measurement; (b) public administrations of States other than Admitted



States which attract a risk weighting factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the “Standardised Approach” to credit risk measurement (provided that such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Covered Bonds Guarantor); **(ii)** securities issued or guaranteed by the entities mentioned under (i) above satisfying the requirements set forth under article 2, paragraph 1, letter c) of the MEF Decree (the “**Public Securities**”); and **(iii)** securities issued in the framework of securitisations having the characteristics set forth under article 2, paragraph 1, letter d) of the MEF Decree, having as underlying collateral Loans mentioned under (i) above or Public Securities (the “**ABS Securities**” and jointly with the Public Securities and the securities mentioned under article, 2, para. 3, point 3, of the MEF Decree and any ancillary right thereto the “**Securities**”). Assets under (i), (ii) and (iii) are jointly defined as the “**Public Assets**” and, within certain limits, Integration Assets (as defined below). The monetary claims arising out of Public Assets and the Integration Assets (as defined below) are jointly defined as the “**Receivables**”.

Under the terms of the Covered Bonds Guarantee the Covered Bonds Guarantor will be obliged to pay any amounts due under the Covered Bonds on the relevant Due for Payment Date (as defined herein) and in accordance with the relevant Priority of Payments.

In view of ensuring timely payment by the Covered Bonds Guarantor, a Notice to Pay (as defined below) will be served on the same as a consequence of an Issuer Event of Default.

The obligations of the Covered Bonds Guarantor under the Covered Bonds Guarantee shall constitute a first demand, unconditional and independent guarantee (*garanzia autonoma*) and certain provisions of Italian civil code relating to non-autonomous personal guarantees (*fidejussioni*), specified in the MEF Decree, shall not apply. Accordingly, such obligation shall be a direct, unconditional, unsubordinated obligation of the Covered Bonds 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.

#### **Temporary Transfer of Payment Obligations to the Covered Bonds Guarantor**

If a resolution pursuant to Article 74 of the Banking Law is issued in respect of the Issuer (“**Article 74 Event**”), the Covered Bonds Guarantor, in accordance with Article 4, Paragraph 4, of the MEF Decree, shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the suspension period and each Series of Covered Bonds will accelerate against the Issuer.

Upon the termination of the suspension period, the Issuer shall resume responsibility for meeting the payment obligations under the Covered

Bonds (and for the avoidance of doubt, the Covered Bonds then outstanding will not be deemed to have been accelerated against the Issuer).

Following to an Article 74 Event the Representative of the Covered Bondholders will serve a notice (the “**Article 74 Notice to Pay**”) on the Covered Bonds Guarantor that an Article 74 Event has occurred. Unless and until such Article 74 Notice to Pay has been withdrawn:

- (i) each series 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 Covered Bonds Guarantor, and (b) in accordance with Article 4, Paragraph 4, of MEF Decree, the Covered Bonds Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the suspension period;
- (ii) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (a) above (See Section *Covered Bonds Guarantee*);
- (iii) the Tests shall continue to be applied; and
- (iv) the Pre-Maturity Liquidity Test shall be deemed to be failed with respect to any Hard Bullet Covered Bonds for which the Maturity Date falls within 12 months.

Upon the termination of the suspension period, the Article 74 Notice to Pay shall be withdrawn and the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer) in accordance with the relevant Priority of Payments.

### **Issuer Events of Default**

Each of the following events with respect to the Issuer shall constitute an “**Issuer Event of Default**”:

- (i) default is made by the Issuer for a period of 7 days or more in the payment of any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series when due; or
- (ii) the Issuer is in breach of material obligations under or in respect of the Covered Bonds (of any Series 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 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) an Insolvency Event (as defined in the Conditions) occurs in respect of the Issuer;

- (iv) in relation to Hard Bullet Covered Bonds, breach of the Pre-Maturity Liquidity Test which is not remedied by the earlier of:
  - (a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test; and
  - (b) the Maturity Date of that Series of Covered Bonds;
- (v) breach of the Tests which is not remedied within 6 months from the notification of the occurrence of such breach.

If an Issuer Event of Default occurs:

- (a) the Representative of the Covered Bondholders will serve a notice (the “**Notice to Pay**”) on the Issuer and Covered Bonds Guarantor that an Issuer Event of Default has occurred;
- (b) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer;
- (c) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (b) above (See Section *Covered Bonds Guarantee*);
- (d) the Tests, shall continue to be applied.

#### **Covered Bonds Guarantor Events of Default**

Following an Issuer Event of Default, each of the following events shall constitute a “**Covered Bonds Guarantor Event of Default**”:

- (i) non-payment of principal and interest in respect of the relevant Series of Covered Bonds in accordance with the Covered Bonds Guarantee, subject to a period of 7 days cure period in respect of principal or redemption amount and a 14 days cure period in respect of interest payment the Covered Bonds Guarantor or non-payment or non setting aside for payment of costs or amounts due to any Hedging Counterparty;
- (ii) breach of the Amortisation Test;
- (iii) breach of the other binding obligations under the Dealer Agreement, the Intercreditor Agreement, the Covered Bonds Guarantee or any other Transaction Document to which the Covered Bonds Guarantor is a party, which is not remedied within 30 days from the date on which the Covered Bonds Guarantor is notified of such breach;
- (iv) an Insolvency Event occurs in respect of the Covered Bonds Guarantor.

If a Covered Bonds Guarantor Event of Default occurs and is continuing, the Representative of the Covered Bondholders shall serve a notice on the Covered Bonds Guarantor (the “**Covered Bonds Guarantor Acceleration Notice**”) and all Covered Bonds will accelerate against the Covered Bonds Guarantor, becoming immediately due and payable, and they will rank *pari passu* amongst themselves.

### **Cross Acceleration**

If a Covered Bonds Guarantor Event of Default is triggered with respect to a Series, each series of Covered Bonds will cross accelerate at the same time against the Covered Bonds Guarantor, provided that the Covered Bonds will not otherwise contain a cross default provision and will thus not cross accelerate against the Covered Bonds Guarantor in case of an Issuer Event of Default.

### **Pre-Maturity Liquidity Test**

The Pre-Maturity Liquidity Test is intended to provide liquidity for Hard Bullet Covered Bonds when the Issuer’s long-term credit ratings fall below the Pre-Maturity Liquidity Required Ratings.

On any Business Day (each the “**Pre-Maturity Liquidity Test Date**”) falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Liquidity Test (as defined below) has been breached, and if so, it shall immediately notify the Issuer, the Seller and the Representative of the Covered Bondholders.

For the purpose of this paragraph the “**Pre-Maturity Liquidity Test**” is complied with on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer’s credit ratings are equal to, or greater than, the Pre-Maturity Liquidity Required Ratings. Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Covered Bonds:

- (i) the Issuer shall:
  - (A) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or
  - (B) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or
  - (C) take action in the form of a combination of the foregoing which in aggregate adding up to an amount

equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;

and/or

- (ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

If the Pre-Maturity Liquidity Test in respect of any Series of Covered Bonds is breached and the Issuer or the Covered Bonds Guarantor has not taken the required actions (as described above) following the breach by the earlier to occur of:

- (a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test, and
- (b) the Maturity Date of that Series of Covered Bonds,

an Issuer Event of Default shall occur and the Representative of the Covered Bondholders will serve a Notice to Pay to the Covered Bonds Guarantor.

**“Pre-Maturity Liquidity Required Ratings”** has the meaning ascribed to such expression in the Master Definition Agreement.

**“Pre-Maturity Rating Period”** means the period of 12 months preceding the Maturity Date of any Hard Bullet Series of the Covered Bonds.

**“Pre-Maturity Test Account”** means the account or the accounts to be opened by the Issuer for making deposits in any form in order to remedy a breach of the Pre-Maturity Liquidity Test.

**“Required Redemption Amount”** means in respect of any relevant Series of Covered Bonds, the amount calculated as follows: the Outstanding Principal Balance of the relevant Series of Covered Bonds *multiplied*  $(1 + (N \times (\text{days to maturity of the relevant Series of Covered Bonds}/365)))$ . Where “N” is the Negative Carry Factor.

## Eligible Investments

The Cash Manager shall invest funds standing to the credit of the Investment Account in:

- (a) Euro denominated Security rated at least "P-1" by Moody's, which have a maturity of up to 30 calendar days or, if longer, which may be liquidated without loss within 30 days from a downgrade below "P-1" by Moody's, and/or
- (b) reserve accounts, deposit accounts, and other similar accounts which qualifies as Integration Assets held with a bank rated at least "P-1" by Moody's,

provided that any such investments (A) mature (or may be liquidated at no loss) at least 3 Business Days before the next following Guarantor Payment Date, and (B) prior to the delivery of a Notice to Pay or of an Article 74 Notice to Pay, mature, for a minimum amount equal to the aggregate of the CB Swap Accumulation Amount and the

Interest Accumulation Amount, at least 3 Business Days before the following CB Payment Date, and (iii) following the delivery of a Notice to Pay or of an Article 74 Notice to Pay, mature at least 3 business days before the next following CB Payment Date (the “**Eligible Investments**”).

#### **Authorised Investments**

Following the occurrence of an Article 74 Event or Issuer Event of Default, and service respectively of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, the Cash Manager shall invest funds standing to the credit of the Investment Account in Authorised Investments.

“**Authorised Investments**” means

- (A) Public Assets and/or Integration Assets consisting of euro denominated Public Securities other than Italian Public Securities, which are rated at least “P-1” by Moody’s
- (B) euro demand or time deposits, certificates of deposit and short term bank debt obligations (which qualifies as Integration Assets) held with a bank rated at least “P-1” by Moody’s

*provided that* in all cases such investments mature within 3 Business Days prior to each Guarantor Payment Date and CB Payment Date..

#### **Pre-Issuer Default Interest Priority of Payment**

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Interest Available Funds (as defined below) to make payments and provisions in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Covered Bonds Guarantor;
- (ii) *second, pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Covered Bonds 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 and any obligation (the “**Expenses**”), to the extent that such costs and expenses are not met by utilising any amounts standing to the credit of the Expenses Account and/or the Corporate Account on the Guarantor Payment Date falling in March and September of each year and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the

Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager and the Servicer;

- (iv) *fourth, pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;
- (v) *fifth*, if a Reserve Fund Rating Event occurs and is continuing, to credit to the Investment Account an amount equal to the Reserve Fund Required Amount;
- (vi) *sixth*, if an ATI Agent Trigger Event occurs and is continuing and no other ATI Agent Remedy Actions has been implemented, to credit to the Investment Account an amount equal to the ATI Commingling Reserve Amount;
- (vii) *seventh*, to credit to the Principal Receivables Collection Account an amount equal to the amounts paid under item (i) of the Pre-Issuer Default Principal Priority of Payment on any preceding Guarantor Payment Date and not yet repaid under this item (vii);
- (viii) *eighth*, if a Servicer Termination Event has occurred, to credit all remaining Interest Available Funds to the Investment Account until such Servicer Termination Event is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (ix) *ninth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Interest Available Funds to the Investment Account until the following Guarantor Payment Date;
- (x) *tenth*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (iv) above;

- (xi) *eleventh*, to pay, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (xii) *twelfth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable as Minimum Interest Amount under the Subordinated Loan;
- (xiii) *thirteenth*, to pay any Premium Interest Amount under the Subordinated Loan.

(the “**Pre-Issuer Default Interest Priority of Payment**”).

“**ATI Agent Bank**” means, in respect of a Loan disbursed by lenders in pool (*Associazione Temporanea di Imprese or Raggruppamento Temporaneo*) the bank (other than the Issuer and the Servicer) acting as agent bank for the pool on the basis of an irrevocable mandate (an *in rem propriam* mandate) granted to it.

“**ATI Agent Remedy Actions**” means that (a) the Asset Percentage has been modified in accordance with the Portfolio Administration Agreement in order to cure an ATI Agent Trigger Event and the Tests are satisfied taking into account such amendment to the Asset Percentage, (b) a guarantee in respect of the relevant ATI Agent Bank’s obligations has been granted by an eligible entity in accordance with the provisions of the Servicing Agreement or (c) the ATI Commingling Reserve Amount has been credited to the Investment Account on the immediately preceding Guarantor Payment Date.

“**ATI Agent Trigger Event**” means any of the following events: (a) the unsecured, unguaranteed and unsubordinated debt obligations of an ATI Agent Bank are rated below Baa2 by Moody’s or (b) any amount due to be paid by an ATI Agent Bank to the Servicer or the Covered Bonds Guarantor in accordance with the relevant Loan Agreements or ancillary documents is not duly and timely paid by the relevant ATI Agent Bank.

“**ATI Commingling Affected Portfolio**” means the aggregate amount of the Loans in relation to which the relevant ATI Agent Bank has been affected by an ATI Agent Trigger Event.

“**ATI Commingling Reserve Amount**” means, on any date, an amount equal to (a) the peak of the Collections expected to be received during one of the following Collection Periods in respect of the ATI Commingling Affected Portfolio *minus* (b) the amount of the Reserve Fund Required Amount already credited (or to be credited on the relevant Guarantor Payment Date) on the Investment Account, provided that if the difference between (a) and (b) above will be a negative number the ATI Commingling Reserve Amount shall be equal to *zero*.

“**CB Swaps Interest Accumulation Amount**” means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with CB Payments Dates falling during the immediately following Guarantor Interest Period, an amount equal to the Due for Payment CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation, or (b) in case no CB Payment Dates are falling during the immediately following Guarantor Interest Period, an



amount equal to the CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation.

**“Covered Bonds Guarantor Disbursement Amount”** means on each Guarantor Payment Date the difference between: (i) Euro 100,000.00 and (ii) any amount standing to the credit of the Expenses Account on the Calculation Date immediately preceding such Guarantor Payment Date.

**“Covered Bonds Guarantor Retention Amount”** means on each Guarantor Payment Date the difference between: (i) Euro 150,000.00 and (ii) any amount standing to the credit of the Corporate Account on the Calculation Date immediately preceding such Guarantor Payment Date.

**“Guarantor Payment Date”** means 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Covered Bonds Guarantor Event of Default, the earlier of (i) each Business Day falling 10 Business Days after the Business Day on which an amount at least equal to 10 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds is standing to the credit of the Transaction Account and the Investment Account, and (ii) 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day, provided that the first Guarantor Payment Date shall be 31 March 2010.

**“Hedging Senior Payment”** means, on any relevant date, any interest and/or principal payment due under any CB Swap or TBG Swap, as the case may be, including any termination payment arising out of a termination event, other than termination payments where the relevant Hedging Counterparty is the defaulting party or the sole affected party, but including, in any event, the amount of any termination payment due and payable to the relevant Hedging Counterparty in relation to the termination of the relevant swap transactions to the extent of any premium received (net of any costs reasonably incurred by the Covered Bonds Guarantor to find a replacement swap counterparty), if any, by the Covered Bonds Guarantor from a replacement swap counterparty in consideration for entering into swap transactions with the Covered Bonds Guarantor on the same terms as the relevant CB Swaps or TBG Swaps. With respect to the *Additional Provisions* “Mark to Market Payment” in the TBG Swaps, any payment under this clause will be part of the Hedging Senior Payments for an amount up to the difference on each Guarantor Payment Date between the purchase price paid by any purchaser/s of the Selected Asset and the Outstanding Principal Balance of the Public Assets and Integration Assets sold to such purchaser/s.

**“Interest Accumulation Amount”** means an amount equal to the interest amounts due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into.

**“Interest Available Funds”** means, with reference to each Guarantor Payment Date, the sum of (a) any interest received from the Portfolio (net of any Interest Component of the Purchase Price) during the Collection Period immediately preceding such Guarantor Payment

Date, **(b)** any amount received by the Covered Bonds Guarantor as remuneration of the Accounts, Eligible Investments and the Authorised Investments (without any double counting) during the Collection Period immediately preceding such Guarantor Payment Date, **(c)** any interest amount received by the Covered Bonds Guarantor as payments under the Swaps Agreements with the exception of any Delivery Amounts (as defined therein) on or prior to the relevant Guarantor Payment Date **(d)** any amount (other than amounts already allocated under items (a), (b) and (c) of the Principal Available Funds, as defined below) received by the Covered Bonds Guarantor from any party to the Transaction Documents during the Collection Period immediately preceding such Guarantor Payment Date, **(e)** the Reserve Fund Required Amount, **(f)** the ATI Commingling Reserve Amount, **(g)** the Interest Accumulation Amount.

**“Interest Component of the Purchase Price”** means, in respect of each Public Assets or Integration Assets, the amount of interests which were included, from time to time, in order to calculate the relevant purchase price in accordance with the Master Transfer Agreement.”

**“Reserve Fund Required Amount”** means an amount equal to **(a)** if a Servicer Downgrading Event has occurred and is continuing, the peak of the Collections expected to be received during the following Collection Periods, and **(b)** if an Issuer Downgrading Event has occurred and is continuing, the aggregate of items (i), (ii), (iii) and (iv) of the Pre-Issuer Default Interest Priority of Payments expected to be paid on the immediately following Guarantor Payment Date, and **(c)** if both a Servicer Downgrading Event and an Issuer Downgrading Event have occurred and are continuing, the higher of (a) and (b) above.

**“Reserve Fund Rating Event”** means (a) the unsecured, unguaranteed and unsubordinated debt obligations of the Issuer are rated below P-1 by Moody’s or (b) the unsecured, unguaranteed and unsubordinated debt obligations of the Servicer are rated below Baa2 by Moody’s.

**Pre-Issuer  
Principal  
Payment**      **Default  
Priority    of**

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Principal Available Funds (as defined below) to make payments and provisions in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay any amount due and payable under items (i) to (iv) of the Pre-Issuer Default Interest Priority of Payment, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;
- (ii) *second, pari passu and pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment in

respect of principal due and payable on such Guarantor Payment Date under the TBG Swaps and (b) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payment under the CB Swaps after the relevant Guarantor Payment Date;

- (iii) *third*, if the Pre-Maturity Liquidity Test is satisfied, to pay, pari passu and pro rata according to the respective amounts thereof, the purchase price of the Public Assets and/or Integration Assets offered for sale by the Seller, the Additional Sellers (if any) or the Issuer in the context of Revolving Assignment in accordance with the provisions of the Master Transfer Agreement;
- (iv) *fourth*, to deposit on the Investment Account any residual Principal Available Funds in an amount sufficient to ensure that taking into account the other resources available to the Covered Bonds Guarantor, the Tests are met;
- (v) *fifth*, if a Servicer Termination Event has occurred, all residual Principal Available Funds to be credited to the Investment Account until such event of default of the Servicer is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (vi) *sixth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Principal Available Funds to the Investment Account until the following Guarantor Payment Date;
- (vii) *seventh*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (ii) above;
- (viii) *eighth*, to pay any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement) not already provided for under item (xi) of the Pre-Issuer Default Interest Priority of Payment;
- (ix) *ninth*, to pay the amount (if any) due to the Seller as principal redemption under the Subordinated Loan (including as a consequence of “*richiesta di rimborso anticipato*” as indicated therein) provided that the Tests and the Pre-Maturity Liquidity Test are still satisfied after such payment;

(the “**Pre-Issuer Default Principal Priority of Payment**”).

“**CB Swaps Principal Accumulation Amount**” means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with

a Maturity Date falling during the immediately following Guarantor Interest Period, an amount equal to the principal amount due under the relevant CB Swap confirmation, or (b) for a Series of Covered Bonds with a Maturity Date not falling during the immediately following Guarantor Interest Period, an amount equal to zero.

“**CB Swaps Accumulation Amount**” means the CB Swaps Interest Accumulation Amount and/or CB Swaps Principal Accumulation Amount.

“**Principal Available Funds**” means, with reference to each Guarantor Payment Date, the sum of: (a) any principal payment and any Interest Component of the Purchase Price received during the Collection Period immediately preceding such Guarantor Payment Date, (b) any amounts deriving from sale of the Public Assets, Integration Assets, Eligible Investments and Authorised Investments (without any double counting) received during the Collection Period immediately preceding such Guarantor Payment Date and (c) any principal amount received by the Covered Bond Guarantor as payments under the Swaps Agreements with the exception of any Delivery Amounts (as defined therein) on or prior to the relevant Guarantor Payment Date.

“**Collection Period**” means each period comprised between a Collection Date (excluded) and the following Collection Date (included) or, in respect of the first Collection Period, the period from (and including) the Evaluation Date of the transfer of the Initial Portfolio and the next following Collection Date (included).

“**Collection Date**” means 31 January and 31 July of each year, starting from 31 January 2010.

**Post-Issuer Default  
Priority of Payments**

On each Guarantor Payment Date, following either an Article 74 Notice to Pay (which has not been withdrawn) or an Issuer Event of Default, but prior to the occurrence of a Covered Bonds Guarantor Events of Default, the Covered Bonds Guarantor will use the Available Funds, to make payments and provisions in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager and the Servicer and on each Guarantor Payment Date and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;

- (iii) *third, pari passu and pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;
- (iv) *fourth, pari passu and pro rata* according to the respective amounts thereof, (a) to the extent that Series of Covered Bonds to which an Extended Maturity Date does not apply (or currently apply) are outstanding, to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps and (b) in respect of each Series of Covered Bonds to which an Extended Maturity Date does not apply (or currently apply), *pari passu and pro rata* according to the respective amounts thereof:
  - (A) to pay any amount in respect of principal due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Investment Account any amount in respect of principal to be paid on each CB Payment Dates falling during the next following Guarantor Interest Period;
  - (B) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the next following Guarantor Interest Period;
- (v) *fifth, pari passu and pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps and (b) in respect of each Series of Covered Bonds to which an Extended Maturity Date applies and whose Final Redemption Amount was not paid in full on the Maturity Date *pari passu and pro rata* according to the respective amounts thereof:
  - (A) to pay any amount in respect of principal due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date

or to credit to the Investment Account any amount in respect of principal to be paid on each CB Payment Dates falling during the next following Guarantor Interest Period;

- (B) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the next following Guarantor Interest Period;
- (vi) *sixth*, to deposit on the Investment Account any residual amount 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;
- (vii) *seventh*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreement not provided for under items (iii), (iv) and (v) above;
- (viii) *eighth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (ix) *ninth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the *Subordinated Loan*;
- (x) *tenth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as principal under the *Subordinated Loan*;
- (xi) *eleventh*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the *Subordinated Loan*.

(the “**Post-Issuer Default Priority of Payments**”).

“**Available Funds**” shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) following an Issuer Event of Default, the amounts received by the Covered Bonds 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**”).

“**Redemption Amount**” means, as the case may be, the Outstanding Principal Balance or the Optional Redemption Amount or the Optional Partial Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms.

#### **Post-Guarantor Default Priority of Payments**

On each Guarantor Payment Date, following a Covered Bonds Guarantor Events of Default, the Representative of the Covered Bondholders (or a receiver appointed on its behalf) will use the Available Funds, to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes;
- (ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor and the Servicer and to credit an amount up to the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, and (b) to pay any amount, other than in respect of principal, due and payable on each Series of Covered Bonds and (c) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any amount in respect of principal due and payable under each Series of Covered Bonds on such Guarantor Payment Date and (c) to pay any Hedging Senior Payments in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps;
- (v) *fifth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreements not provided for under items (iii) and (iv) above;

- (vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (vii) *seventh*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;
- (viii) *eighth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due as principal under the Subordinated Loan;
- (ix) *ninth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan;

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

#### 4. CREATION AND ADMINISTRATION OF THE PORTFOLIO

##### Transfer of the Portfolio

The Seller and the Covered Bonds Guarantor entered into a master transfer agreement pursuant to which the Seller (a) transferred to the Covered Bonds Guarantor an initial portfolio comprising Public Assets (the “**Initial Portfolio**”) and (b) may assign and transfer further portfolios comprising Public Assets and/or Integration Assets, satisfying the Criteria (each a “**New Portfolio**” and jointly with the Initial Portfolio, the “**Portfolio**”), to the Covered Bonds Guarantor from time to time (the “**Master Transfer Agreement**”), in the cases and subject to the limits on the transfer of further Public Assets referred to below.

The Covered Bonds Guarantor may acquire the aforementioned further Public Assets or Integration Assets, as the case may be, in order to:

- (a) collateralise and allow the issue of further series of Covered Bonds by the Issuer, subject to the limits to the assignment of further Public Assets set forth by the BoI OBG Regulations (*Limiti alla cessione*; see Section II, Paragraph 2 of the BoI OBG Regulations, the “**Limits to the Assignment**”) (the “**Issuance Collateralisation Assignment**”);
- (b) invest the Principal Available Funds, subject to the Limits to the Assignment, provided that no Issuer Event of Default or Covered Bonds Guarantor Event of Default have occurred (the “**Revolving Assignment**”); or
- (c) comply with the Tests, and prevent the breach of the Tests, in accordance with the Portfolio Administration Agreement (the “**Integration Assignment**”), subject to the limits referred to in the following provision “Integration Assets”.



Pursuant to the Master Transfer Agreement, and subject to the conditions provided therein, the Seller shall also be allowed to repurchase Receivables and/or Securities which have been assigned to the Covered Bonds Guarantor.

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

## **Representations and Warranties of the Seller**

Under the Warranty and Indemnity Agreement, the Seller has made certain representations and warranties regarding itself and the Receivables or Securities including, *inter alia*:

- (i) its status, capacity and authority to enter into the Transaction Documents and assume the obligations expressed to be assumed by it therein;
- (ii) the legality, validity, binding nature and enforceability of the obligations assumed by it;
- (iii) the existence of the Receivables or Securities, the absence of any lien attaching the Receivables or Securities; subject to the applicable provisions of laws and of the relevant agreements, the full, unconditional, legal title of the Seller to the Initial Portfolio;
- (iv) the validity and enforceability, subject to the applicable provisions of laws and of the relevant agreements, against the relevant Debtors of the obligations from which the Initial Portfolio arises.

For the purpose hereof:

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

“**Beneficiary**” means each of the beneficiaries of the loan granted by the Seller in accordance with the Loan Agreements.

“**Loan Agreement**” means any loan agreement executed between the Seller and a Beneficiary, pursuant to which the Seller has granted a loan to the Beneficiary.

## **General Criteria**

Each of the Receivables forming part of the Portfolio shall comply with all of the following criteria (the “**General Criteria**”):

- (i) receivables whose debtors or guarantors (pursuant to a “guarantee valid for the purpose of credit risk mitigation” (*garanzie valide ai fini della mitigazione del rischio di credito*), as defined by Article 1, paragraph 1, lett. h) of the MEF Decree) are (a) public administrations of Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48

regulation under the “Standardised Approach” to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the “Standardised Approach” to credit risk measurement;

- (ii) receivables arising out of loans which have been fully disbursed;
- (iii) receivables in respect of which as of the Evaluation Date there are no (a) amounts due and payable to the Seller by the relevant debtors, both as repayment of any instalments and as interest, which have not been paid and (b) events of default or trigger events which have been notified at termination or withdrawal has occurred which may cause the amounts due under the loans or bonds to be reduced;
- (iv) receivables arising out of fixed rate loans or floating rate loans;
- (v) receivables denominated in Euro, US Dollar or UK Sterling;
- (vi) receivables in respect of which the relevant amortisation plan for principal and interest provides for fixed payment dates.

The Receivables shall also comply with the Specific Criteria.

“**Specific Criteria**” means the criteria for the selection of the Receivables to be included in the Portfolios to which such criteria are applied, set forth in Annex 2 (*I Criteri Specifici*) to the Master Transfer Agreement for the Initial Portfolio and in the relevant offer for New Portfolios.

“**Criteria**” means jointly the General Criteria and the Specific Criteria.

“**Evaluation Date**” means: (i) in respect of the Initial Portfolio May 1, 2009 and (ii) in respect of any New Portfolio, the first calendar day of any month indicated in the relevant offer for New Portfolios.

## **Integration Assets**

In accordance with Article 2 paragraph 3, points 2 and 3 of the MEF Decree and the BoI OBG Regulations, “**Integration Assets**” shall include:

- (i) deposits with banks residing in Eligible States;
- (ii) securities issued by banks residing in Eligible States with residual maturity not longer than one year;

provided that the assets listed under (i) and (ii) above shall meet the Integration Assets Rating Requirements.

“**Integration Assets Rating Requirements**” means (a) in respect of Integration Assets consisting of bank securities having a remaining maturity date of 364 days or less, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or

guaranteeing entity equal to or higher than P-1 by Moody's and (b) in respect of Integration Assets consisting of deposits with bank, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than P-1 by Moody's and to the long term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than Aa3 by Moody's.

Integration through the inclusion of Integration Assets shall be allowed up to but not exceeding the Integration Assets Limit. Integration (whether through Integration Assets or through originally eligible Public Assets) shall be allowed for the purpose of complying with the Tests.

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

### **Excluded Assets**

On the basis of the information provided by the Servicer the Calculation Agent shall identify (a) the Integration Assets in excess of the Integration Assets Limit to be excluded from the Eligible Portfolio, (b) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements (the assets mentioned in (a) and (b), the “**Excluded Assets**”), and (c) the Excluded Swaps, if any, to be excluded from the calculation of the Tests with the objective of obtaining a combination of Integration Assets included in the Eligible Portfolio, net of exclusions, that would allow the matching of the Tests, if possible.

“**Excluded Swaps**” means the portion of the hedging arrangements, if any, corresponding to the Public Assets and Integration Assets excluded from the Eligible Portfolio.

On the basis of the information provided by the Calculation Agent, the Servicer may sell the Excluded Assets and the Cash Manager shall invest the amounts deriving from such selling in Public Assets or Authorised Investments or Eligible Investments.

### **Tests**

In accordance with the Portfolio Administration Agreement and the provisions of the MEF Decree, for so long as the Covered Bonds remain outstanding, the Issuer and the Seller shall procure on a continuing basis and on each Calculation Date, or any other date pursuant to the Transaction Documents, that:

- (i) prior to the occurrence of an Issuer Event of Default, the OC Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the “**Asset Coverage Test**”) or, following the occurrence of an Issuer Event of Default, and service of the Notice to Pay by the Representative of the Covered Bondholders, the Amortisation Test Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the “**Amortisation Test**”);

- (ii) the Net Present Value of the Eligible Portfolio shall be equal to, or greater than, the Net Present Value of all Series of the outstanding Covered Bonds (the “**NPV Test**”);
- (iii) the Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Interest Payments and the Annual Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Annual Interest Payments (the “**Interest Coverage Test**”);

(the tests above are jointly defined as the “**Tests**”).

Compliance with the Tests will be verified by the Calculation Agent, and internal risk management functions of the Intesa Sanpaolo Group (under the supervision of the management body of the Issuer) on each Calculation Date and on any other date on which the verification of the Tests is required pursuant to the Transaction Documents, and subsequently checked by the Asset Monitor on a semi-annual basis. In addition to the above, following the occurrence of a breach of the Tests, based on the information provided by the Servicer with reference to the end of the previous month and with reference to the last day of each calendar month (starting from the date on which such breach has been notified, and until 6 (six) months after the date on which such breach has been cured the Calculation Agent shall verify compliance with the Tests not later than the fifth Business Day of the following calendar month. For a detailed description see section “*Credit Structure – Tests*”.

### **Breach of the Tests**

In order to cure the breach of the Tests:

- (a) the Seller shall sell, as soon as possible, and in any case within 6 (six) months from the notification of such breach, sufficient Public Assets or Integration Assets to the Covered Bonds Guarantor in accordance with the Master Transfer Agreement and, to this extent, shall grant the funds necessary for payment of the purchase price of the assets to the Covered Bonds Guarantor in accordance with the Subordinated Loan Agreement or, if necessary, increasing the Maximum Amount of the Subordinated Loan, or
- (b) following the occurrence of one of the events indicated in Clause 16.1 (*Cause di estinzione dell'obbligo di acquisto*), of the Master Transfer Agreement, paragraph (i) (*Inadempimento di obblighi da parte del Cedente*), (ii) (*Violazione delle dichiarazioni e garanzie da parte del Cedente*), (iii) (*Mutamento Sostanzialmente Pregiudizievole*) and (iv) (*Crisi*), the Issuer shall sell, as soon as possible, and in any case within 6 (six) months from the notification of such breach, sufficient Public Assets or Integration Assets to the Covered Bonds Guarantor in accordance with the Portfolio Administration Agreement and, to this extent, shall grant the funds necessary for payment of the purchase price of the assets to the Covered Bonds Guarantor in accordance with the subordinated loan agreement to be entered into pursuant to the Portfolio Administration Agreement;

in an aggregate amount sufficient to ensure that the Tests are met as

soon as practicable.

A breach of the Tests which is not remedied within 6 (six) months from the notification of the occurrence of such breach constitutes an Issuer Event of Default.

A breach of the Amortisation Test constitutes a Covered Bonds Guarantor Event of Default.

### **Role of the Asset Monitor**

The Asset Monitor will, subject to receipt of the relevant information from the Calculation Agent, test the calculations performed by the Calculation Agent in respect of the Tests on a semi-annual basis and more frequently under certain circumstances. The Asset Monitor will also perform the other activities provided under the Asset Monitor Agreement.

### **Sale of Public Assets following the occurrence of an Article 74 Event or an Issuer Event of Default**

Following the delivery of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay and prior to the occurrence of a Covered Bonds Guarantor Events of Default, if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the provisions of the Portfolio Administration Agreement, subject to any pre-emption right of the Seller pursuant to the Master Transfer Agreement or any other Transaction Documents. The proceeds of any such sale shall be credited to the Investment Account and invested in Authorised Investments.

## **5. THE TRANSACTION DOCUMENTS**

### **Master Transfer Agreement**

On May 20, 2009, the Seller and the Covered Bonds Guarantor entered into a Master Transfer Agreement, pursuant to which the Seller assigned and transferred the Initial Portfolio to the Covered Bonds Guarantor, without recourse (*pro soluto*), in accordance with Law 130. Pursuant to the Master Transfer Agreement, the Covered Bonds Guarantor has agreed to pay the Seller a purchase price of Euro 3,790,358,323.04. Furthermore, the Seller and the Covered Bonds Guarantor agreed that the Seller may, from time to time, assign and transfer Public Assets and/or Integration Assets satisfying the Criteria to the Covered Bonds Guarantor (See Sections “*The Portfolio*” and “*Description of the Transaction Documents - Description of the Transfer Agreement*”).

### **Warranty and Indemnity Agreement**

On May 20, 2009, the Seller and the Covered Bonds Guarantor entered into a warranty and indemnity agreement (the “**Warranty**”).

**and Indemnity Agreement**”), pursuant to which the Seller made certain representations and warranties in favour of the Covered Bonds Guarantor (See Section *“Description of the Transaction Documents - Description of the Warranty and Indemnity Agreement”*).

## **Subordinated Agreement**

### **Loan**

On May 20, 2009, the Seller and the Covered Bonds Guarantor entered into a subordinated loan agreement (the **“Subordinated Loan Agreement”**), pursuant to which the Seller granted a subordinated loan to the Covered Bonds Guarantor (the **“Subordinated Loan”**) with a maximum amount equal to Euro 10,000,000,000 or such other amount which will be notified by the Seller, as subordinated loan provider, to the Covered Bonds Guarantor in accordance with the terms of the Subordinated Loan Agreement (the **“Maximum Amount”**), as amended from time to time. Under the provisions of such agreement, the Seller shall make advances to the Covered Bonds Guarantor in amounts equal to the relevant price of the Portfolios transferred from time to time to the Covered Bonds Guarantor. The Subordinated Loan shall be remunerated by way of:

- (a) the Minimum Interest Amount, and
- (b) the Premium Interest Amount

(the **“Subordinated Loan Interest Amount”**) (See Section *“Description of the Transaction Documents - Description of the Subordinated Loan”*).

**“Minimum Interest Amount”** means 0.50% per annum.

**“Premium Interest Amount”** means:

- (a) prior to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:
  - (i) (+) the amount of Interest Available Funds;
  - (ii) (-) the sum of any amount paid under items from (i) to (xii) of the Pre-Issuer Default Interest Priority of Paymentor
- (b) following to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:
  - (i) (+) the amount of Available Funds;
  - (ii) (-) the sum of any amount paid under items from under items (i) to (x) of the Post-Issuer Default Priority of Payments.or
- (c) following the occurrence of a Guarantor Event of Default an amount equal to the algebraic sum of:
  - (i) (+) the amount of Available Funds;
  - (ii) (-) the sum of any amount paid under items from under items (i) to (viii) of the Post-Guarantor Default Priority of Payments.

## **Covered Bonds Guarantee**

On or about the Initial Issue Date the Covered Bonds Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds (the “**Covered Bonds Guarantee**”), in accordance with the provisions of Law 130 and of the MEF Decree (See Sections “*Transaction Summary – Covered Bonds Guarantee*” and “*Description of the Transaction Documents - Description of the Covered Bonds Guarantee*”).

## **Servicing Agreement and Collection Policies**

Pursuant to the terms of a servicing agreement entered into on May 20, 2009 (the “**Servicing Agreement**”), the Servicer has agreed to administer and service the Portfolio, on behalf of the Covered Bonds Guarantor in accordance with the policies and standards set forth therein (the “**Collection Policies**”).

The Servicer has undertaken to prepare and submit quarterly reports to the Covered Bonds Guarantor, the Administrative Services Provider and the Calculation Agent, in the form set out in the Servicing Agreement, containing information as to all the amounts collected from time to time by the Covered Bonds Guarantor in respect of the Portfolio as principal, interest and/or expenses and any payment of damages (and, together with the Excess Proceeds, the “**Collections**”), as a result of the activity of the Servicer pursuant to the Servicing Agreement during the preceding Collection Period. The reports will provide the main information relating to the Servicer’s activity during the period, including without limitation: a description of the Portfolio (outstanding amount, principal and interest), information relating to delinquencies, defaults and collections during the Collection Period as well as a performance analysis (See Section “*Description of the Transaction Documents -Description of the Servicing Agreement*” and “*Description of the Initial Portfolio, Collection and Recovery Procedures*”).

## **Administrative Services Agreement**

Pursuant to an administrative services agreement entered into on May 20, 2009 (the “**Administrative Services Agreement**”), the Administrative Services Provider has agreed to provide the Covered Bonds Guarantor with a number of administrative services, including the keeping of the corporate books and of the accounting and tax registers (See “*Description of the Transaction Documents - Description of the Administrative Services Agreement*”).

## **Intercreditor Agreement**

Under the terms of an intercreditor agreement entered into on or about the Initial Issue Date (the “**Intercreditor Agreement**”) among the Covered Bonds Guarantor, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Organisation of the Covered Bondholders), the Issuer, BIIS in its capacity as Seller, Subordinated Loan Provider and Servicer, the Administrative Services Provider, the Receivables Collection Account Bank, the Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Hedging Counterparties, the Cash Manager, the Asset

Monitor and the Calculation Agent (collectively, together with any other entity acceding to the Intercreditor Agreement, the “**Secured Creditors**”), the parties agreed that all the Available Funds of the Covered Bonds Guarantor will be applied in or towards satisfaction of the Covered Bonds Guarantor’s payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Covered Bonds Guarantor Event of Default having occurred, ensure that all the Available Funds are applied in or towards satisfaction of the Covered Bonds Guarantor’s payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the Post-Guarantor Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Covered Bonds Guarantor to each of the Covered Bondholders and each of the Secured Creditors will be limited recourse obligations of the Covered Bonds Guarantor. The Covered Bondholders and the Secured Creditors will have a claim against the Covered Bonds Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents (See “*Description of the Transaction Documents - Description of the Intercreditor Agreement*”).

#### **Cash Management and Agency Agreement**

In accordance with a cash management and agency agreement entered into on or about the Initial Issue Date, among the Covered Bonds Guarantor, the Cash Manager, the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider, the Calculation Agent and the Representative of the Covered Bondholders (the “**Cash Management and Agency Agreement**”), the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider and the Calculation Agent will provide the Covered Bonds Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts (See “*Description of the Transaction Documents - Description of the Cash Management and Agency Agreement*”).

#### **Asset Monitor Agreement**

In accordance with an asset monitor agreement entered into on or about the Initial Issue Date, among the Asset Monitor, the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Issuer and the Calculation Agent (the “**Asset Monitor Agreement**”), the Asset Monitor will conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable on a semi-annual basis with a view to verifying the compliance by the Covered Bonds Guarantor with such tests (See “*Description of the Transaction Documents - Description of the Asset Monitor Agreement*”).



## **Portfolio Administration Agreement**

By a portfolio administration agreement entered into on or about the Initial Issue Date, among, *inter alia*, the Covered Bonds Guarantor, the Issuer, the Seller, the Representative of the Covered Bondholders, the Calculation Agent, the Cash Manager and the Asset Monitor (the “**Portfolio Administration Agreement**”), the Seller and the Issuer have undertaken certain obligations for the replenishment of the Portfolio in order to cure a breach of the Tests. (See “*Description of the Transaction Documents - Description of the Portfolio Administration Agreement*”).

## **Quotaholders Agreement**

The quotaholders’ agreement entered into on or about the Initial Issue Date, among the Covered Bonds Guarantor, Intesa Sanpaolo and Stichting Viridis 2 (the “**Quotaholders’ Agreement**”), contains provisions and undertakings in relation to the management of the Covered Bonds Guarantor. In addition, pursuant to the Quotaholders’ Agreement, Stichting Viridis 2 will grant a call option in favour of Intesa Sanpaolo to purchase from Stichting Viridis 2 and Intesa Sanpaolo will grant a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo the quota of the Issuer quota capital held by Stichting Viridis 2 (See “*Description of the Transaction Documents - Description of the Quotaholders Agreement*”).

## **Deed of Pledge**

By a deed of pledge (the “**Deed of Pledge**”) executed by the Covered Bonds Guarantor on or about the Initial Issue Date, the Covered Bonds Guarantor will pledge in favour of the Covered Bondholders and the Secured Creditors all monetary claims and rights and all amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Covered Bonds Guarantor is entitled pursuant or in relation with the Transaction Documents (other than the English law Transaction Documents and the Deed of Pledge), including any monetary claims and rights relating to the amounts standing to the credit of the Accounts and any other account established by the Covered Bonds Guarantor in accordance with the provisions of the Transaction Documents, but excluding, for avoidance of doubt, the Public Assets and Integration Assets. (See “*Description of the Transaction Documents - Description of the Deed of Pledge*”).

## **Deed of Charge**

By a deed of charge executed by the Covered Bonds Guarantor on or about the Initial Issue Date (the “**Deed of Charge**”), the Covered Bonds Guarantor will assign by way of security to and charge in favour of the Representative of the Covered Bondholders (acting in its capacity as security trustee for itself and on trust for the Covered Bondholders and the Secured Creditors; in such capacity the “**Security Trustee**”), all of its rights, title, interest and benefit from time to time in and to the Swap Agreements (See “*Description of the Transaction Documents - Description of the Deed of Charge*”).

## **Dealer Agreement**

By a dealer agreement to be entered into on or about the Initial Issue

Date among the Issuer, the Representative of Covered Bondholders and the Dealer (the “**Dealer Agreement**”), the Dealer has been appointed as such. The Dealer Agreement contains, *inter alia*, provisions for the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series (See “*Description of the Transaction Documents - Description of the Dealer Agreement*”).

### **Subscription Agreement**

By a subscription agreement to be entered into on or about the Issue Date among the Issuer and the Dealer(s) who are parties to such subscription agreement (the “**Relevant Dealer(s)**”), the Relevant Dealers will agree to subscribe for the relevant Series of Covered Bonds and pay the Issue Price subject to the conditions set out therein (the “**Subscription Agreement**”) (See “*Description of the Transaction Documents - Description of the Subscription Agreement*”).

### **Swaps**

In order to hedge the currency and/or interest rate exposure in relation to its floating or fixed rate obligations under the CB, the Covered Bonds Guarantor will enter into one or more swap transactions with the CB Hedging Counterparty on each Issue Date as confirmed by a confirmation (a “**CB Swap Confirmation**”) evidencing the terms of any such transaction (each a “**CB Swap**”), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) (the “**Credit Support Annex**”) and CB Swap Confirmation (the “**CB Master Agreement**”).

In addition, in order to hedge the interest rate and/or currency risks related to the transfer of each Portfolio, the Covered Bonds Guarantor will enter into one or more swap transactions with the TBG Hedging Counterparty, on the date of each transfer as confirmed by a confirmation (a “**TBG Swap Confirmation**”) evidencing the terms of each such transaction (each a “**TBG Swap**”), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, Credit Support Annex and TBG Swap Confirmation (the “**TBG Master Agreement**”) (See “*Description of the Transaction Documents - Description of the Swaps*”).

### **Provisions of Transaction Documents**

The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

### **Issuer Deed of Pledge**

By a deed of pledge (the “**Issuer Deed of Pledge**”) executed, on or about the Initial Issue Date, by the Issuer and the Covered Bonds Guarantor the Issuer will pledge in favour of the Covered Bonds Guarantor all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant or in relation to the Intercompany Loan Agreement to be entered into between the Issuer and the Seller. The Issuer Deed of Pledge is not a Transaction Document.

### **Intercompany Loan Agreement**

Under an agreement to be entered into between the Issuer and the Seller, the Issuer shall undertake to grant the Seller a loan for an amount equivalent to the net proceeds of each issue of the Covered Bonds (the “**Intercompany Loan Agreement**”). The obligations of the Seller under the intercompany loans granted by the Issuer under the Intercompany Loan Agreement will be in line *mutatis mutandis* with the obligations of the Issuer under the Covered Bonds. The Intercompany Loan Agreement is not a Transaction Document.

## DESCRIPTION OF THE ISSUER

### **Merger of Sanpaolo IMI and Banca Intesa**

Intesa Sanpaolo derives from the merger by incorporation of Sanpaolo IMI with and into Banca Intesa S.p.A. following the deed of merger of 28 December 2006 of the Notary public Ettore Morone. The merger came into legal and accounting effect as of 1 January 2007. In the merger, the surviving entity was Banca Intesa, which changed its name from Banca Intesa S.p.A. to Intesa Sanpaolo S.p.A.

### **Group History**

#### ***Banca Intesa S.p.A.***

The entity now known as Intesa Sanpaolo S.p.A. was originally established in 1925 under the name of La Centrale with interests in the field of production and distribution of electricity. After the nationalisation of the enterprises in that sector in the early 1960s, the company changed its name to La Centrale Finanziaria Generale, acquiring equity investments in various sectors and particularly in the banking, insurance and publishing sectors. In 1985, La Centrale incorporated the holding company Nuovo Banco Ambrosiano, adopting its name and corporate objects. Nuovo Banco Ambrosiano was formed in 1982 by a group of seven banks in order to take over the Banco Ambrosiano bank, which had been put in mandatory liquidation.

The former Banca Intesa Group was formed in January 1998 following the acquisition by Banca Intesa S.p.A. (formerly known as Banco Ambrosiano Veneto S.p.A.) of the entire issued share capital of Cassa di Risparmio delle Provincie Lombarde S.p.A. (“**Cariplo**”). During 1999 Banca Popolare Friuladria and Cassa di Risparmio di Parma e Piacenza also joined the Intesa Group.

In December 1999 Banca Intesa finalised the exchange offer pursuant to which it acquired 70 per cent. of the outstanding ordinary shares and savings shares of Banca Commerciale Italiana S.p.A. (“**BCI**”) in exchange for the issue of new ordinary shares of Banca Intesa. In October 2000 the Board of Directors of both Banca Intesa and BCI approved the merger by incorporation of BCI into Banca Intesa, which was completed on 1 May 2001. Following this merger, Banca Intesa adopted a new corporate name, “Banca Intesa Banca Commerciale Italiana S.p.A.” or, in short, “IntesaBci S.p.A.” or “Banca Intesa Comit S.p.A”.

On 1 January 2003 the corporate name reverted to “Banca Intesa S.p.A.” or, in short, “Intesa S.p.A.” and consequently the Group name became known once again as “Gruppo Banca Intesa” or, in short form, “Gruppo Intesa”.

#### ***Sanpaolo IMI S.p.A.***

Sanpaolo was formed through the merger of IMI – Istituto Mobiliare Italiano into Istituto Bancario San Paolo di Torino, effective as of 1 November 1998.

Istituto San Paolo di Torino originates from the “Compagnia di San Paolo” brotherhood, which was set up in 1563 to help the needy. The “Compagnia” developed from “Monte di Pietà” to a real bank during the nineteenth century, progressively developing credit activities. In 1932, the Bank achieved the status of Public Law Credit Institute. Between 1960 and 1990, the Bank expanded its network nationwide through a number of acquisitions of local banks and medium-sized regional banks. In 1977, the Bank took control of Banco Lariano di Como and in 1984 it acquired Banca Provinciale Lombarda, well-rooted in the Bergamo province.

In 1991, the Bank acquired Crediop from Cassa Depositi e Prestiti and reached the level of a multifunctional group of national importance.

In 1992, following the transformation into a company limited by shares, according to the rules and facilitations provided for by Italian Law No. 218 of 1990 (the so-called Amato Law), approximately 20 per cent. of the share capital was listed on the Italian stock market and placed on the main foreign stock markets through public offers.

In 1993, certain reorganisations took place leading to the incorporation of Banco Lariano and of Banca Provinciale Lombarda. In February 1995, Banca Nazionale delle Comunicazioni was acquired. The privatisation process of the bank was completed in 1997 through the public offer for sale of 31 per cent. of the share capital and the private placement of a 22 per cent. stake aimed at constituting a stable group of shareholders.

At the time of the merger with IMI – Istituto Mobiliare Italiano, San Paolo presented itself as a commercial bank of primary national standing, with diversified products and a widespread and effective distribution network.

IMI was founded in 1931 as a Public Law Body, with the purpose of promoting the process of restructuring and recapitalising Italian industry through the grant of medium/long-term loans and the acquisition of equity investments. During the eighties, the IMI group implemented a broad reorganisation of its operating structure and of its company activities by developing the business area represented by specialist credit services as well as new operations in the investment banking sector and, with Banca Fideuram, in the professional asset management and financial consultancy sectors.

The multifunctional group originated by the merger of Sanpaolo with IMI was organised according to business areas: commercial banking, large corporate, investment banking, personal financial services, merchant banking, funding of public investments and infrastructures.

During 2000, Sanpaolo IMI acquired Banco di Napoli, a longstanding bank with a strong territorial presence, which integrated the Group's distribution network with its widespread presence in Central-Southern Italy. Banco di Napoli was incorporated in 2002, followed by the spin-off by the Group of the operating units in Campania, Puglia, Calabria and Basilicata into a new company which took the name of Sanpaolo Banco di Napoli, the only group bank operating in those areas from that date.

### **Legal status**

Intesa Sanpaolo is a company limited by shares, incorporated in 1925 under the laws of Italy and registered with the Companies' Registry of Turin under registration number 00799960158. It is also registered on the National Register of Banks under no. 5361 and is the parent company of "Gruppo Intesa Sanpaolo".

### **Registered office**

Intesa Sanpaolo's registered office is at Piazza San Carlo 156, 10121 Turin and its telephone number is +39 0115551. Intesa Sanpaolo's secondary office is at Via Monte di Pietà 8, 20121 Milan.

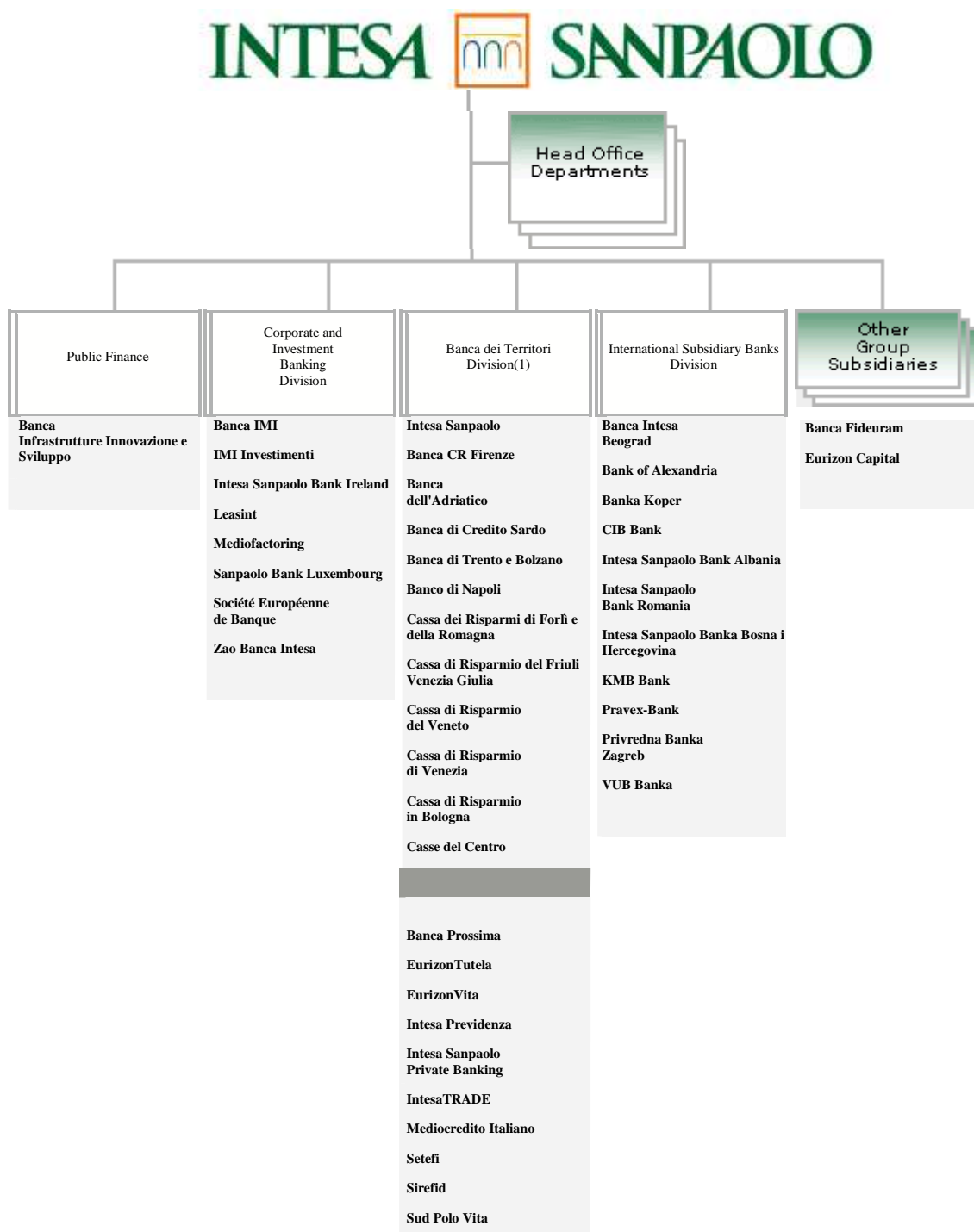
### **Objects**

The objects of Intesa Sanpaolo are deposit-taking and the carrying-on of all forms of lending activities, including through its subsidiaries. Intesa Sanpaolo may also, in compliance with laws and regulations applicable from time to time and subject to obtaining the required authorisations, provide all banking and financial services, including the establishment and management of open-ended and closed-ended supplementary pension schemes, as well as the performance of any other transactions that are incidental to, or connected with, the achievement of its objects.

### **Share capital**

At 31 March 2009, Intesa Sanpaolo's issued and paid-up share capital amounted to €6,646,547,922.56, divided into 12,781,822,928 shares with a nominal value of €0.52 each, in turn comprising 11,849,332,367 ordinary shares and 932,490,561 non-convertible savings shares.

## Organisational Structure



(1) Domestic commercial banking

The activity of the Intesa Sanpaolo Group is organised by business units:

- The **Banca dei Territori Division** – which includes Italian subsidiary banks – operates with 6,150 branches serving 11.2 million customers and is based on a business model oriented to maintain and enhance regional brands, strengthen local commercial coverage and relations with individuals, small businesses and SMEs. Banca Prossima was established to serve Non-profit Entities and operates through the Group's branches, with local offices and dedicated professionals.

The activities of this Division include private banking, industrial credit (operated by Mediocredito Italiano) and bancassurance (operated by EurizonVita, Intesa Vita – a joint venture with the Generali group – and Sud Polo Vita in the life insurance sector and EurizonTutela in the casualty sector, with products mainly addressed to the safeguard of person and assets).

- The **Corporate & Investment Banking Division** has the mission of supporting the steady and sustainable growth of businesses and financial institutions with a medium/long term view, on a national and international basis, acting as a “global partner” with an in-depth understanding of company strategies and a complete service range. The Division includes M&A activities, structured finance and capital markets (performed through Banca IMI) and also merchant banking and global custody. It is present in 34 countries supporting the cross-border activity of its customers through a specialised network which comprises foreign branches, representative offices and subsidiaries performing corporate banking activity.
- The **International Subsidiary Banks Division**, which is responsible for activities outside Italy, operates through subsidiary and partly-owned commercial banks and provides guidelines, coordination and support to subsidiaries abroad active in retail and commercial banking. It operates with 1,915 branches serving approximately 8.5 million customers and has total assets of approximately 43.9 billion euro in the following 13 countries in Central-Eastern Europe and the Mediterranean region: Albania (Intesa Sanpaolo Bank Albania), Bosnia-Herzegovina (Intesa Sanpaolo Banka Bosna i Hercegovina), Croatia (Privredna Banka Zagreb), Egypt (Bank of Alexandria), the Russian Federation (KMB Bank), Greece (with the Athens and Thessaloniki branches of Intesa Sanpaolo Bank Albania), the Czech Republic (with the Prague branch of VUB Banka), Romania (with Intesa Sanpaolo Bank Romania), Serbia (Banca Intesa Beograd), Slovakia (VUB Banka), Slovenia (Banka Koper), Hungary (CIB Bank) and Ukraine (Pravex-Bank).
- The **Public Finance Business Unit** is responsible for customers in government, public entities, local authorities, public utilities, general contractors, public and private healthcare structures, developing activities related to lending and day-to-day banking operations, project financing, securitisations, financial advisory, with the aim of favouring cooperation between public and private entities and supporting initiatives and investment projects in large infrastructures, healthcare, research and public utilities in general. The business unit is composed of Banca Infrastrutture Innovazione e Sviluppo.
- **Eurizon Capital** is the Group’s asset management company.
- **Banca Fideuram** is the Group company specialised in asset gathering, performed by the networks of financial advisors and 97 branches serving customers with medium to high savings potential.

### **The integration process of the Intesa Sanpaolo Group**

The integration process progressed during the whole of 2007 and 2008: in the first three months of 2007 the decisions on the operating structure were taken and all the managers responsible for the units were appointed; client attribution across the Business Units was also defined. Moreover, the distribution model was aligned both for retail customers and for corporate and enterprise customers and integrated solutions have been implemented for guidance and control systems relating to management and operating reports, to risk control tools and to lending procedures. Lastly, the first joint commercial initiatives were launched with the support of specific advertising campaigns. The Group's target ICT system, which was identified in the first quarter of 2007, permits the construction of a common platform of models, processes, products and systems as scheduled in the merger programme, with the migration of Group Banks to the target system pursuant to the following objectives:

- implementing the migration of banks to the target platform, leading to the unification of the commercial offer and the standardisation of models and operating processes; the

changeover has been planned gradually, testing solutions and results via the migration of certain pilot units and subsequently groups of branches;

- training the resources of the Head Office departments and of the network to use the new ICT system and the target operating processes;
- managing the post conversion period, via initiatives to support/assist operating resources and, where necessary, customers.

The activities have been organised into specific task forces involving user company departments, commercial and management structures, as well as the company departments responsible for organisational and IT development.

The project entails the migration process of former Intesa branches to the Target system. Having completed this migration phase, a territorial reorder is underway, that is the revision of territorial coverage which also includes the sale of Intesa Sanpaolo branches to the Banca dei Territori Division.

To permit the complete rationalisation of the ICT systems and operations, in the last three months of 2007 the Integration project DOF/Migration Banca IMI was also activated, with the objective of realising the IT System and the Operations in support of the Capital Markets business of the new Banca IMI on the target system.

The criteria which guided the selection of the IT System and the operating system were first and foremost the safeguard of the needs of the business (in terms of selection of the most effective and flexible IT applications and continuation of all the specific functionalities in support of front office activities), the minimisation of migration times and risks, as well as the maximisation of cost synergies.

#### *Acquisition of Carifirenze*

In 2008 activities continued for the rationalisation of Intesa Sanpaolo Group structure. At the end of January, Intesa Sanpaolo acquired control of Cassa di Risparmio di Firenze S.p.A. ("**Carifirenze**") from Ente Cassa di Risparmio di Firenze, Fondazione Cassa di Risparmio di Pistoia e Pescia, Fondazione Cassa di Risparmio della Spezia and So.Fi.Ba.R. – Società Finanziaria di Banche Romagnole, by means of a share swap of own ordinary shares. As a result of the stake already held, the share swap, the subsequent Mandatory Public Offer and the exercise of the squeeze-out right on the residual shares, Intesa Sanpaolo now holds an 89.71 per cent. stake in Carifirenze's share capital and Ente Cassa di Risparmio di Firenze holds the residual stake.

The acquisition of Carifirenze significantly strengthens Intesa Sanpaolo's competitive position in the five regions of Central-Northern Italy, where Carifirenze has an extensive presence, and specifically in Tuscany. This transaction effectively complements Intesa Sanpaolo's strategy aimed at completing its territorial coverage of Italy, as set out in its Business Plan.

At the end of June, the Board of Directors of Carifirenze approved the 2008-2010 Business Plan, within the framework of the integration process of Carifirenze within the Banca dei Territori Division of Intesa Sanpaolo.

This integration process involves, among other things, the application of the model of the Banca dei Territori of the Intesa Sanpaolo Group to Carifirenze and the transfer of Casse del Centro and 130 Intesa Sanpaolo branches (inclusive of branches under disposal) to the Carifirenze Group in its current configuration, as part of the definition of the geographical areas of competence of Carifirenze. The process also entails the disposal of 29 branches to meet the decision of the Italian Competition Authority "AGCM" dated 17 January, 2008.

The Business Plan of Carifirenze sets out, in particular, synergies - in which the Casse del Centro transfer and the cost savings from the branch disposal still need to be accounted for - at approximately 180 million euro, in full operation in 2010, of which, in approximate figures, 60



million from revenues and 120 million from costs (no synergies foreseen in 2008, 70 million expected in 2009 of which 25 million from revenues and 45 million from costs).

Upon completion of the integration process, Carifirenze, which already enjoys a forefront position in its home region, will be a leading bank in Central Italy and will rank eighth in Italy with approximately 900 branches, thus playing a key role in the competitive positioning of the competitive positioning of the Intesa Sanpaolo Group.

### ***Rationalisation of Intesa Sanpaolo Group structure***

Various intra-group mergers became effective as of 1 January, 2008 and involved both Italian and international subsidiaries. In Italy, the integration between Banca Intesa Infrastrutture e Sviluppo S.p.A. which took on the new corporate name of Banca Infrastrutture Innovazione e Sviluppo S.p.A. ("**BIIS**") – and Banca per la Finanza alle Opere Pubbliche e alle Infrastrutture ("**Banca OPI**") came into effect. The operation was realised through the total spin-off of Banca OPI. All assets, liabilities and legal relationships previously referred to Banca OPI were assigned completely and totally unchanged to BIIS, with the exception of the equity investments held by Banca OPI in Fin.OPI (now Equiter) and in SINLOC, which were transferred, respectively, to Intesa Sanpaolo and Fin.OPI.

Leasint – the company formed from the merger by incorporation of Sanpaolo Leasint into Intesa Leasing – has also been operational from the beginning of the year and it is a leading player in Italy. The disposal of 198 branches, to comply with decisions issued by the Italian Competition Authority relative to the Banca Intesa and Sanpaolo IMI merger, was finalised in the first quarter of 2008. More specifically, 36 branches of the Intesa Sanpaolo Group were sold to Veneto Banca on 14th February for a total consideration of 274 million euro. This disposal, which came into effect as of 18 February 2008, included branches located in the provinces of Imperia (5 branches), Venezia (12), Padova (7), Udine (9) and Rovigo (3). On 21 February the following further disposals were finalised and came into effect as of 25 February 2008: 35 branches, for a total consideration of 395 million euro, to the Credito Valtellinese Group, of which 12 to Credito Artigiano in the Pavia province and 23 to Credito Piemontese in the provinces of Alessandria (4) and Torino (19); 6 branches, for a total consideration of 54 million euro, to Banca Popolare Alto Adige in the Venezia province; 43 branches, for a total consideration of 181 million euro, to Banca Popolare di Bari in the provinces of Pesaro (2), Terni (11), Napoli (15), Caserta (10) and Brindisi (5). The sale of the remaining 78 branches – in the provinces of Torino (14), Aosta (1), Como (19), Pavia (6), Venezia (18), Padova (15), Rovigo (1) and Sassari (4) – to Banca Carige was finalised on 7 March with effect as of 10 March 2008 for a total consideration of 996 million euro.

In May 2008, the acquisition on the part of Intesa Sanpaolo of the depositary bank services of MPS Finance (today known as Intesa Sanpaolo Servizi Trasazionali) was finalised in accordance with the commitments made by the parties in the agreement signed on 31 March 2008. Again in May 2008, Intesa Sanpaolo S.p.A. and Crédit Agricole S.A. have finalised the sale to Crédit Agricole of Intesa Sanpaolo's 49 per cent total interest in AGOS S.p.A., their joint venture in the consumer credit business in Italy.

Lastly, the integration into Eurizon Capital of Eurizon Investimenti (former CAAM Sgr), whose control was acquired at the end of 2007 following the purchase of the activities attributable to the 65 per cent. stake of Nextra Investment Management, was finalised in April, 2008. The new Eurizon Capital controls Eurizon Capital SA – with registered office in Luxembourg and branches in Chile and Singapore – Eurizon Alternative Investments Sgr and Eurizon A.I. Sgr, both asset management companies of funds of hedge funds, and Epsilon Sgr, which specialises in quantitative asset management. Eurizon Capital is the leading Italian asset management company with over 145 billion euro of net managed assets.

As far as the Intesa Sanpaolo Group's presence abroad is concerned, in Albania, Intesa Sanpaolo Bank Albania (rebranding of American Bank of Albania) absorbed Banca Italo Albanese; in Serbia, Banca Intesa Beograd merged with Panonska Banka and in Hungary CIB Bank absorbed Inter-Europa Bank. In parallel the rebranding of International Banks is underway. On 27th June,

2008, Intesa Sanpaolo and the controlling shareholders of JSC Pravex-Bank ("**Pravex**") finalised Intesa Sanpaolo's acquisition of 100 per cent. of the share capital of Pravex, in conformity with the agreement executed on 4 February, 2008. This acquisition enables the Intesa Sanpaolo Group to effectively enter the large market of Ukraine, a country with approximately 47 million inhabitants.

## Management

### *Supervisory Board*

The composition of Intesa Sanpaolo's Supervisory Board is as set out below:

**Supervisory Board:** The composition of Intesa Sanpaolo's Supervisory Board is as set out below:

<u>Name</u>	<u>Position</u>	<u>Principal activities performed outside Intesa Sanpaolo</u>
Giovanni Bazoli	Chairman	Chairman of MITTEL S.p.A. Member of the Supervisory Board of UBI Banca S.p.A. Director of Alleanza Assicurazioni S.p.A.
Antoine Bernheim	Deputy Chairman	Chairman of Assicurazioni Generali S.p.A. Chairman of Fondazione Assicurazioni Generali Deputy Chairman of Alleanza Assicurazioni S.p.A. Deputy Chairman and Director of Bolloré Investissement S.A. Deputy Chairman and Director of LVMH Moët Hennessy Louis Vuitton Member of the Supervisory Board of Eurazeo S.A. Director of Mediobanca S.p.A. Director of Banco Santander Central Hispano S.A. Director of AMB Generali Holding AG Director of BSI – Banca della Svizzera Italiana Director of Ciments Français S.A. Director of Christian Dior S.A. Director of Christian Dior Couture S.A. Director of Generali España Holding de Entidades de Seguros S.A. Director of Generali France S.A. Director of Graafschap Holland AG Director of Generali Holding Vienna AG Director of Havas S.A.
Rodolfo Zich	Deputy Chairman	Director of Innogest S.G.R. S.p.A.
Carlo Barel di Sant Albano	Director	C.E.O. & Director of Exor S.p.A. Director of Fiat S.p.A. Director of Juventus F.C. S.p.A. Director of Sequana Capital S.A. Director of Cushman & Wakefield Inc. (New York)
Rosalba Casiraghi	Director	Chairman of the Board of Statutory Advisors of Banca CR Firenze S.p.A. Chairman of the Board of Statutory Advisors of Nuovo Trasporto Viaggiatori S.p.A. Member of the Board of Statutory Auditors of Industrie de Nora S.p.A. Director of Luisa Spagnoli S.p.A. Director of Biancamano S.p.A. Director of Altopartners SGR S.p.A. Director of Spa.Im S.r.l. Director of Spa.Pi S.r.l. Director of Spa.Ma. S.r.l. Director of NH Hoteles S.A. Managing Director of Co.Ge Pro S.p.A. Sole Director of Ge.Con. General Consulting S.r.l. Sole Director of Rating S.r.l.
Marco Ciabattoni	Director	Chairman of the Board of Statutory Auditors of Eurizon Capital S.p.A. Member of the Board of Statutory Auditors of Fisc Italiana S.r.l.

Giovanni Costa	Director	Director of Edizione S.r.l. Director of Veneto Nanotech S.C.p.A.
Franco Dalla Sega	Director	Chairman of the Board of Statutory Auditors of Intesa Previdenza SIM S.p.A. Chairman of the Board of Statutory Auditors of Mittel Investimenti Immobiliari S.r.l. Chairman of the Board of Statutory Auditors of Mittel Private Equity S.p.A. Chairman of the Board of Statutory Auditors of Hopa S.p.A. Chairman of the Board of Statutory Auditors of IMMIT Immobili Italiani S.p.A. Member of the Board of Statutory Auditors of Mittel S.p.A. Member of the Board of Statutory Auditors of ITL S.r.l. Member of the Board of Statutory Auditors of Progressio SGR S.p.A. Chairman of the Board of Statutory Auditors of Torino Zerocinque Trading S.p.A. Director of Avvenire Nuova Editoriale Italiana S.p.A.
Gianluca Ferrero	Director	Board Chairman of Finlega S.p.A. Director and Member of the Executive Committee of Banca del Piemonte S.p.A. Director of SEI Società Editrice Internazionale S.p.A. Chairman of the Board of Statutory Auditors of Luigi Lavazza S.p.A. Member of the Board of Statutory Auditors of Alberto Lavazza e C. S.a.p.a. Member of the Board of Statutory Auditors of Pictet Fiduciaria S.r.l. (in liquidazione) Member of the Board of Statutory Auditors of Centro Congressi Unione Industriali S.p.A. Member of the Board of Statutory Auditors of Emilio Lavazza S.a.p.a. Chairman of the Board of Statutory Auditors of G.F.T. net S.p.a. (in liquidazione) Executive Partner of Giovanni Agnelli e C. S.A.p.a. Member of the Board of Statutory Auditors of Fenera Holding S.p.A. Member of the Board of Statutory Auditors of Fenera Real Estate S.p.A. Liquidator of Tecnodelta S.p.A. (in liquidazione) Sole Director of Fibe S.r.l. Chairman of the Board of Statutory Auditors of TO-DIS S.r.l.
Angelo Ferro	Director	Chairman of Pavan Tecnologie S.p.A. Director of RCS Quotidiani S.p.A. Director of Editoriale Veneto S.r.l. Chairman of Pavan S.r.l. Director of TifloSystem S.p.A. Director of Tecnoalimenti S.c.p.A.
Pietro Garibaldi	Director	Professor at Turin University
Giulio Lubatti	Director	Director of Tokos SGR S.p.A Chairman of the Board of Statutory Auditors of Banco di Napoli S.p.A.
Giuseppe Mazzarello	Director	===
Eugenio Pavarani	Director	Chairman of the Board of Statutory Auditors of Intesa Mediofactoring S.p.A. Member of the Board of Statutory Auditors of Roche Diagnostic S.p.A. Member of the Board of Statutory Auditors of Roche Pharma S.p.A.
Gianluca Ponzellini	Director	Chairman of Metodo S.r.l. Chairman of the Board of Statutory Auditors of Banca IMI S.p.A. Chairman of the Board of Statutory Auditors of De' Longhi Capital Services S.p.A. Chairman of the Board of Statutory Auditors of De' Longhi S.p.A.

Chairman of the Board of Statutory Auditors of De' Longhi Appliances S.r.l.  
 Chairman of the Board of Statutory Auditors of Finmar S.p.A.  
 Chairman of the Board of Statutory Auditors of Spa.Pi S.r.l.  
 Chairman of the Board of Statutory Auditors of Spa.Im S.r.l.  
 Chairman of the Board of Statutory Auditors of Spa.Ma S.r.l.  
 Chairman of the Board of Statutory Auditors of Luisa Spagnoli S.p.A.  
 Chairman of the Board of Statutory Auditors of Diperdi S.p.A.  
 Member of the Board of Statutory Auditors of GS S.p.A.  
 Member of the Board of Statutory Auditors of Caretti & Associati S.p.A.  
 Member of the Board of Statutory Auditors of Casa Editrice Universo S.p.A.  
 Member of the Board of Statutory Auditors of Telecom Italia S.p.a.  
 Director of Schemaventotto S.p.A.  
 Director of Senatus S.r.l.

Gianguido Sacchi Morsiani	Director	===
Ferdinando Targetti	Director	Professor at Trento University Chairman of the College of the Auditors of Account of Consorzio Patti Chiari
Livio Torio	Director	Chairman of the Board of Statutory Auditors of Mediocredito Italiano S.p.A. Chairman of the Board of Statutory Auditors of Setefi S.p.a. Member of the Board of the Statutory Auditors of Banca di Credito Sardo S.p.A. Member of the Board of Statutory of the Auditors of Senato 14/16 Immobiliare S.r.l. Member of the Board of Statutory of the Auditors of Alintec S.c.a.r.l.
Riccardo Varaldo	Director	Director of Finmeccanica S.p.A. Director of Piaggio & C. S.p.A.

The business address of each member of the Supervisory Board is Intesa Sanpaolo S.p.A., Piazza San Carlo 156, 10121, Turin.

### ***Management Board***

The composition of the Intesa Sanpaolo's Management Board is as set out below:

<b>Name</b>	<b>Position</b>	<b>Principal activities performed outside Intesa Sanpaolo</b>
Enrico Salza	Chairman	Chairman Italconsult S.r.l. Chairman -of Tecno Holding S.p.A. Director of RCS MediaGroup S.p.A.
Orazio Rossi	Deputy Chairman	Chairman of Cassa di Risparmio del Veneto S.p.A. Director of Mediocredito Italiano S.p.A.
Corrado Passera	Managing Director and Chief Executive Officer	
Aureliano Benedetti	Board Member	Chairman of Banca CR Firenze S.p.A. Chairman of Centrovita Assicurazioni S.p.A. Chairman of Intesa Sanpaolo Group Services S.c.p.a. Vice Chairman of Agriventure S.p.A. Director of Banca IMI S.p.A.
Elio Catania	Board Member	Chairman and Managing Director of Azienda Trasporti Milanesi S.p.A. Director of Telecom Italia S.p.A.

Giuseppe Fontana	Board Member	Vice Chairman of Villa d'Este S.p.A. Vice Chairman of Fontana Finanziaria S.p.A. Managing Director of Fontana Luigi S.p.A. Director of Banca Fideuram S.p.A. Director of Banca Popolare di Sondrio S.c.p.A.
Gian Luigi Garrino	Board Member	Chairman Fondaco SGR S.p.A. Chairman of Equiter S.p.A. Vice Chairman of Risk Management S.p.A.
Virgilio Marrone	Board Member	Director of Fiat S.p.A. Director of Old Town S.A. – Luxembourg
Emilio Ottolenghi	Board Member	Chairman of Vis S.p.A. Chairman of La Petrolifera Italo Rumena S.p.A. Chairman of Pir Finanziaria S.p.A. Chairman of Banca IMI S.p.A. Director of Sapir S.p.A. Chairman of La Petrolifera Italo Albanese Sh.A.
Giovanni Perissinotto	Board Member	Chairman of Banca Generali S.p.A. Managing Director of Assicurazioni Generali S.p.A. Vice Chairman of BSI S.A. Director of INA Assitalia S.p.A. Director of Toro Assicurazioni S.p.A. Director of Pirelli & C. S.p.A
Marcello Sala	Board Member	Director of Banca IMI S.p.A. Director of Banca ITB S.p.A. Director of Bank of Alexandria Director of Sanpaolo IMI Fondi Chiusi SGR S.p.A.

The business address of each member of the Management Board is Intesa Sanpaolo S.p.A., Piazza San Carlo 156, 10121, Turin.

### *Conflicts of interest*

None of the functions performed by any of the Board Members mentioned above results in a conflict of interest, except for any competition in the national and / or international banking system in the ordinary course of business arising from the activities performed by them outside Intesa Sanpaolo, as set out in the tables above under the heading “Principal activities performed outside Intesa Sanpaolo”.

### **Principal Shareholders**

As of 30 April 2009, the shareholder structure of Intesa Sanpaolo is composed as follows (holders of shares exceeding 2 per cent.).

Shareholder	Ordinary shares	% of ordinary shares
<b>Compagnia di San Paolo</b>	1,171,622,725	9.888%
<b>Crédit Agricole S.A.</b>	708,822,880	5.982%
<b>Assicurazioni Generali</b>	601,586,930	5.077%
<b>Fondazione C.R. Padova e Rovigo</b>	583,404,899	4.924%
<b>Fondazione Cariplo</b>	554,578,319	4.680%
<b>Ente C.R. Firenze</b>	400,287,395	3.378%
<b>Fondazione C.R. in Bologna (*)</b>	323,955,012	2.734%
<b>Carlo Tassara S.p.A.</b>	296,764,457	2.504%
<b>Barclays Global Investors UK Holdings Ltd (**)</b>	239,017,266	2.017%

(\*) Of which 50,000,000 shares being securities lent to Mediobanca with voting rights held by the lender

(\*\*) Fund Management

## **Subprime Mortgages**

A universally agreed-upon definition of subprime mortgages does not exist. In short, this classification refers to mortgaged lending which is riskier since it is granted to borrowers which have previously defaulted or because the debt-to-income or loan-to-value ratio is high.

As at 31 March 2009 the Intesa Sanpaolo Group:

- did not have mortgages definable as subprime in its portfolio, since the Intesa Sanpaolo Group's policy does not envisage granting mortgages of this kind;
- did not issue guarantees connected to the aforementioned products.

That being said, Intesa Sanpaolo considers US subprime exposure to mean all products - cash investments (securities and funded CDOs) and derivative positions (unfunded CDOs) - with collateral mainly made up of non-prime US residential mortgages (i.e. Home Equity Loans, residential mortgages with B&C ratings and similar products) granted in the years 2005/06/07, irrespective of the FICO score and the Loan-to-Value ratio, as well as those with collateral represented by US residential mortgages granted before 2005 with a FICO score under 629 and Loan-to-Value over 90 per cent. (as at 31 March 2009, unchanged with respect to our disclosure dated 31 December 2008, the weight of this second product class is immaterial in the Intesa Sanpaolo Group portfolio). The risk on these investments was managed and reduced via "short" positions on ABX indices. These positions have been actively managed on the basis of market movements and portfolio investment write-downs. The write-down has been partially offset by the earnings from the sale of the short positions on ABX indices initially underwritten. As at 31 March 2009, the net exposure is of 27 million euro.

## **Legal risks**

Legal risks are analysed by Intesa Sanpaolo Group and by group companies. Provisions are made to the Allowance for risks and charges, in the presence of legal obligations for which it is probable that funds will be disbursed to meet such obligations and where it is possible to make a reliable estimate of the disbursement.

The most complex legal procedures are described in the paragraphs below.

## **Litigation**

### ***Litigation regarding compound interest***

After March 1999, the Italian Court of Cassation changed its previous opinion and declared the quarterly capitalisation of interim interest payable on current accounts to be illegitimate, assuming that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but rather with a "commercial" practice, and therefore, such clauses are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.

The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (date in which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts. Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.

With the decision of the United Sections on 4 November 2004, the Court of Cassation again excluded the possibility that said use may be considered regulatory. Even though court decisions have generally complied with the ruling by the United Sections, the possibility of defending in court the Bank's past conduct still exists since many judges in the reliquidation of the accounts

apply the technical and accounting criteria proposed by banks which often decrease, even significantly, the restitutions request of account holders.

The overall number of pending cases is at an insignificant level in absolute terms, and is the subject of constant monitoring. The risks related to these disputes are covered by prudential allocations to the provisions for other risks and charges.

#### ***Litigation regarding bonds in default***

Group policy on management of complaints on financial instruments sold, sets out a case-by-case assessment, with particular attention paid to the suitability of the instruments with respect to the position of the single investor.

More specifically, for Parmalat bonds, Intesa Sanpaolo has decided, in agreement with all the representative Consumer Associations at national level, to extend the free conciliation procedure – successfully applied for former Gruppo Intesa customers - to customers of the former Sanpaolo IMI Group who had bought Parmalat securities.

The extended procedure has covered all of the approximated 27,000 customers of the former Sanpaolo IMI Group who had purchased Parmalat bonds subsequently converted into shares and warrants of the new Parmalat. Approximately 16,600 of these customers agreed to participate in this procedure and the examination of claims started in November 2008 and is expected to be concluded by the end of 2009.

The assessments are based on the principle of fairness and are conducted by five joint committees organised on a regional basis.

The repayment proposals made to date as part of the conciliation have been in line with the related specific provisions made.

The customers of the former Sanpaolo IMI Group may also continue to use the support offered, for the exercise of reimbursement actions against the parties responsible for the default, by the Parmalatbond Clienti Sanpaolo IMI Committee. During 2008 two significant settlements were reached between the Committee and several counterparties as part of the actions for compensation brought by the Committee on behalf of the parties being represented by it. Through the first agreement, which has been almost completely fulfilled, the entitled parties were able to obtain an overall recovery of around 13 million euro. Through the second agreement, for which the acceptances by the interested parties are in the process of being gathered, if all the entitled parties were to accept the overall recovery would amount to around 36 million euro.

For Argentina bonds, complaints are managed by the ordinary procedure in place for any other financial product, according to a case-by-case assessment of the individual positions. Like all other legal risk measurement procedures provisions are made on each occasion that are deemed to be consistent with the specific circumstances of each case.

The same criteria are applied to the assessments of claims relating to bond issued by companies belonging to the Lehman Brothers Group whose default was declared on 15 September 2008.

#### ***Cirio group default***

In November 2002, the Cirio Group, one of the largest Italian groups operating in the agro-industrial sector, was declared insolvent in the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. The bonds issued by the Cirio Group had a nominal value totalling approximately 1.25 billion euro. Both the former Gruppo Intesa and the former Sanpaolo IMI Group – like the other major banking groups – had granted loans to the Cirio group.

In April 2007, 10 companies of the Cirio group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto, as well as five other banks, considered to be severally liable, of the filing of a claim for the reimbursement of alleged damages deriving from:

- the worsening of the default of the Cirio group, from the end of 1999 to 2003, favoured also by the issue in the 2000/2002 period of six bonds; the damages thereof are quantified – adopting three different criteria with the main criteria in 2,082 million euro and, with the control criteria, in 1,055 million euro or 421 million euro;
- the impossibility by the Extraordinary Administration procedures of undertaking bankruptcy repeal, for undetermined amounts, because the default of Cirio group companies was postponed in time;
- the payment of fees of 9.8 million euro for the placement of the various bond issues.

The Intesa Sanpaolo Group believes that such claims are totally unfounded and is confident that it will be capable of contrasting such claims both as concerns the merit of the case and on the basis of the lack of capacity to act in court proceeding for Extraordinary Administration bodies.

***Equitalia Polis S.p.A. (formerly Gest Line S.p.A.)***

With three separate transactions in September 2006, December 2007 and April 2008, the Bank, as part of the State's internalisation of tax-collection activities, sold to Equitalia (a company owned by Agenzia delle Entrate and INPS, respectively the Italian Revenue Agency and the National Institute for Social Security) 100 per cent. of the equity investment in Gest Line, now Equitalia Polis, which performed tax-collection activities in the former Sanpaolo IMI Group.

Gest Line's alleged irregularities in performing tax-collection activities in the period from the late 1980s and the early 1990s led to drawn-out litigation with tax-collection authorities mostly referred to the concession in Bologna. At the time of disposal of the aforesaid equity investment, the Bank released specific guarantees, in addition to those provided for by the law for the State's internalisation of tax-collection activities, which also cover liabilities deriving from the aforesaid litigation.

Gest Line adhered to the amnesty for administrative irregularities introduced by Law 311/04. Moreover, as part of the pending litigation, doubts were raised by certain Tax-Collection Offices and Administrative Judges concerning the extension of the provisions of the aforesaid amnesty. The conversion of Law Decree 248/2007 provides a clarification on the interpretation of the amnesty which may positively affect the litigation, favouring its possible extinction. However, notwithstanding conversion of the decree, some doubts remain on the interpretation of the extension of the amnesty.

In any case, before the final declaration that the matter of the litigation ceases to exist, which is under the jurisdiction of the Italian Court of Auditors, the litigation is covered by congruous provisions.

***Banca Infrastrutture Innovazione e Sviluppo and Municipality of Taranto Dispute***

BIIS, as the successor to Banca OPI, is involved in a case which has been brought, before the Court of Taranto, by the Municipality of Taranto in relation to the subscription in May 2004 by Banca OPI for a 250,000,000 euro bond issued by this Municipality.

On April 27, 2009 the Court of Taranto declared as null and void the financial transaction above mentioned, condemning (a) BIIS to repay to the Municipality of Taranto all the reimbursement *medio tempore* carried out by the latter, plus legal interest, and (b) the Municipality of Taranto to reimburse to BIIS the loan, plus legal interest. Against such judgement, both BIIS and the Municipality of Taranto challenged the decision of the Court of Taranto; BIIS also requested the suspension of the enforceable effect of the judgement (for further details see section “*Description of the Seller – Litigation regarding the Municipality of Taranto*”).

***Other judicial and administrative proceedings***

Please note that a criminal investigation is underway in the United States instigated by the District Prosecutor of New York and the Department of Justice aimed at verifying the methods used for the clearing through the United States of payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008.



The investigation involves the treatment of payment orders in dollars generally issued in the SWIFT interbank payments settled through US banks, and the alleged omission or alteration of the information relating to the originators and beneficiaries of these payments.

The Bank is cooperating in full with this investigation.

A parallel administrative proceeding is also underway, initiated in March 2007 by the US banking supervisory authorities that, having found certain weaknesses in 2006 in the anti-money laundering systems of the New York branch, requested a series of actions (already implemented) to strengthen the anti-money laundering procedures and an examination of the payment traffic of the first half of 2006 by an independent consultant to verify the existence of any violations of the local anti-money laundering and embargo regulations.

Based on the information available it is not currently possible to make any forecasts concerning the timescale for the completion or the outcome of these proceedings.

### ***Tax litigation***

The risks associated with tax litigation are covered by specific provisions for risks and charges. With regard to Intesa Sanpaolo, in 2008, a reimbursement of tax credits of around 307 million euro was received, with the consequent release of the corresponding precautionary provisions of around 31 million euro.

New disputes also arose for around 46 million euro, relating to issues of law involving the charge of the alleged failure to pay:

- stamp duty in relation to compulsory accounting figures, for a total of around 15 million euro, as tax, penalty and interest relating to the years 2005 and 2006;
- IRES and IRAP of around 31 million euro as tax, penalty and interest relating to the years 2003-2006, mainly referring to the significance of the repurchase agreements for the purposes of the calculation of the deduction of the write-down of receivables, together with other less significant items.

It is believed that both charges can be effectively opposed in judicial proceedings.

The outstanding tax litigation as at 31 December 2008 involving the other, Italian and international, companies of the Group included within the scope of consolidation, amounted to a total of 117 million euro, respectively attributable to 94 million euro for actions brought by the Financial Authorities – for capital, penalties and interest – and to 23 million euro for tax credits recorded in the financial statements.

The disputes involve 41 million euro relating to direct taxes, around 9 million euro for withholding tax, 30 million euro for VAT, and around 13 million euro for other taxation. With regard to the most significant disputes that arose in 2008, which generally involve issues of interpretation, the following should be noted in particular:

- Centro Leasing Banca, for a total of 17 million euro solely relating to 2003, due to a disputable reclassification of sale & lease back transactions as ordinary loans guaranteed by real estate, on the basis of the case-law principle of abuse of rights;
- Eurizon Vita, for a total of 15 million euro due to the recovery of VAT for the years 2003 and 2004 relating to the tax treatment applied to the provision of services associated with co-insurance;
- Banca Fideuram, for a total of around 12 million euro relating to direct taxes for the year 2003, due to the derecognition of the accrual principle relating to charges associated with the incentive scheme for financial planners.

### **Recent Events**

***Shareholders' Agreement concerning the company entered into by Crédit Agricole and Assicurazioni Generali***

On 7 May 2009, Intesa Sanpaolo published a press release, the full text of which is set out below:

“Intesa Sanpaolo, upon request of Consob, with reference to the shareholders’ agreement concerning the Company’s shares, which Crédit Agricole and Assicurazioni Generali entered into on 24 April 2009, informs as follows:

- Intesa Sanpaolo has scrupulously respected its engagements with the Italian Competition Authority;
- the Company learned the contents of the shareholders’ agreement upon publication of the extract in the press on 1 May 2009;
- the Authority made a timely request of Intesa Sanpaolo for adequate information regarding the consistency of this agreement with the provisions contained in its decision;
- since Intesa Sanpaolo will provide the information required and collaborate with the Authority with the aim of defining whatever that can be useful to the Authority, for the time being the Bank thinks it suitable to put off any evaluation until the outcome of the ongoing verifications;
- any further development will be duly communicated to the market.”

***Non-compliance process regarding the company started by Italian Competition Authority following the Crédit Agricole – Assicurazioni Generali Agreement***

On 14 May 2009, Intesa Sanpaolo published a press release, the full text of which is set out below:

“With reference to the non-compliance process started this afternoon by the Italian Competition Authority regarding Intesa Sanpaolo and related to the provisions included in the Decision which authorised the merger between Banca Intesa and Sanpaolo IMI, Intesa Sanpaolo believes that it has scrupulously respected its commitments to the Authority - as already stated in the press release issued on 7 May 2009 - and is confident that the correctness of its behaviour will emerge under the process.

Intesa Sanpaolo restates its full cooperation with the Authority in order that a positive outcome to the process is reached as soon as possible.”

***Agreement between Parmalat and Banca C.R. Firenze (Intesa Sanpaolo Group)***

On 20 May 2009, Intesa Sanpaolo published a joint press release, the full text of which is set out below:

“Parmalat S.p.A. communicates that today agreements have been reached with Banca C.R. Firenze and its subsidiaries Centro Factoring SpA and Cassa di Risparmio della Spezia SpA (Intesa Sanpaolo Group) which settle the pending dispute related to the period prior to the insolvency declaration of the Parmalat Group (December 2003). As a result of these agreements, Banca C.R. Firenze and its aforementioned subsidiaries will pay to Parmalat SpA a total amount of €20,000,000.00 in exchange for Parmalat SpA abandoning revocatory actions it has already filed and any action or claim against the former Gruppo Cassa di Risparmio di Firenze.

Banca C.R. Firenze and its subsidiaries have waived the right to demand inclusion among the liabilities of the companies under extraordinary administration that are parties to the proposal of Composition with creditors of the claim arising from the payment made as a result of the settlement agreement and of any other claims that may arise from past transactions. Moreover, Banca C.R. Firenze and its subsidiaries waive any and all actions or claims against Parmalat SpA, Assumptor of the Composition with Creditors.”

***Clarification regarding settlement between subsidiary Banca C.R. Firenze and Parmalat***

On 20 May 2009, Intesa Sanpaolo published a press release, the full text of which is set out below:

“With reference to the settlement of all relations and claims involving Banca C.R. Firenze and its subsidiaries (Intesa Sanpaolo Group) with respect to the Parmalat Group default agreed upon today with Parmalat S.p.A. (Assumptor of the Composition with creditors), Intesa Sanpaolo once more declares that the Group had been absolutely fair in its behaviour and totally unaware of the Parmalat state of insolvency and clarifies that the settlement has been resolved upon only to avoid uncertainties which arise, as a matter of fact, from the involvement in a long lasting and very complex litigation while also considering the related heavy administrative costs.

In particular, the settlement provides that, with the payment by Banca C.R. Firenze and its subsidiaries - Centro Factoring SpA and Cassa di Risparmio della Spezia SpA - of a total amount of 20 million euro, which has already been set aside in the Intesa Sanpaolo Group consolidated financial statements as at 31 March 2009, all revocatory actions already filed for approximately 155 million euro as well as revocatory actions or damage claims eventually to be filed, are to be waived.”

#### ***Summary Financial Information of the Issuer***

The annual financial information below as at and for the years ended 31 December 2007 and 2008 has been derived from each of the respective annual reports of the Issuer. Such financial information is not derived directly from the consolidated annual financial statements of the Issuer and has been reclassified in order to be presented on a more consistent basis.

The audited consolidated annual financial statements of the Issuer, as at and for the year ended 31 December 2007 and 2008, are incorporated by reference in this Base Prospectus. Such financial statements have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union under Regulation (EC) 1606/2002. The consolidated annual financial statements of the Issuer, as at and for the year ended 31 December 2007 and 2008, have been audited by Reconta Ernst & Young.

All of the financial information set out below is derived from, should be read in conjunction with and is qualified entirely by reference to the balance sheet and income statements items, together with the accompanying notes and auditors' report, all of which are incorporated by reference in this Base Prospectus.

**INTESA SANPAOLO S.p.A.**  
**RECLASSIFIED CONSOLIDATED ANNUAL BALANCE SHEETS**  
**AS AT 31/12/2008 AND 31/12/2007**

<b>Assets</b>	<i>31/12/08</i> <i>Unaudited</i>	<i>31/12/07</i> <i>Unaudited</i>
	<i>(in millions of Euro)</i>	
Financial assets held for trading	61,080	52,759
Financial assets designated at fair value through profit and loss	19,727	19,998
Financial assets available for sale	29,083	36,914
Investments held to maturity	5,572	5,923
Due from banks	56,371	62,831
Loans to customers	395,189	335,273
Investments in associates and companies subject to joint control	3,230	3,522
Property, equipment and intangible assets	32,406	30,905
Tax assets	7,495	3,639
Non-current assets held for sale and discontinued operations	1,135	4,222
Other assets	24,845	16,916
<b>Total Assets</b>	<b>636,133</b>	<b>572,902</b>
<b>Liabilities and Shareholders' Equity</b>	<i>31/12/08</i> <i>Unaudited</i>	<i>31/12/07</i> <i>Unaudited</i>
	<i>(in millions of Euro)</i>	
Due to banks	51,745	67,688
Due to customers and securities issued	405,778	346,483
Financial liabilities held for trading	45,870	24,608
Financial liabilities designated at fair value through profit and loss	25,119	27,270
Tax liabilities	4,461	3,806
Liabilities associated with non-current assets held for sale and discontinued operations	1,021	3,265
Other liabilities	26,368	20,181
Technical reserves	20,248	21,571
Allowances for specific purpose	5,469	5,681
Share capital	6,647	6,647
Reserves	41,166	36,962
Valuation reserves	(1,412)	699
Minority interests	1,100	791
Net income	2,553	7,250
<b>Total Liabilities and Shareholders' Equity</b>	<b>636,133</b>	<b>572,902</b>

**INTESA SANPAOLO S.p.A.**  
**RECLASSIFIED CONSOLIDATED ANNUAL STATEMENTS OF INCOME**  
**AS AT 31/12/2008 AND 31/12/2007**

	<i>31/12/08</i>	<i>31/12/07</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(in millions of Euro)</i>	
Net interest income	11,630	9,886
Dividends and profits (Losses) on investments carried at equity	138	334
Net fee and commission income	5,872	6,195
Profits (Losses) on trading	(53)	1,008
Income from insurance business	400	441
Other operating income (expenses)	170	144
Operating income	18,157	18,008
Personnel expenses	(5,746)	(5,375)
Other administrative expenses	(3,378)	(3,060)
Adjustments to property, equipment and intangible assets	(812)	(833)
Operating costs	(9,936)	(9,268)
Operating margin	8,221	8,740
Goodwill impairment	(1,065)	–
Net provisions for risk and charges	(318)	(524)
Net adjustments to loans	(2,566)	(1,372)
Net impairment losses on other assets	(949)	(67)
Profits (Losses) on investments held to maturity and on other investments	266	81
Income (Loss) before tax from continuing operations	3,589	6,858
Taxes on income from continuing operations	(180)	(2,672)
Merger and restructuring related charges (net of tax)	(657)	(607)
Effect of purchase cost allocation (net of tax)	(1,088)	(10)
Income (Loss) after tax from discontinued operations	1,036	3,790
Minority interests	(147)	(109)
<b>Net income</b>	<b>2,553</b>	<b>7,250</b>

## LENDING ACTIVITY

The following tables provide a breakdown of the lending activities and show the composition of the deposits of the Intesa Sanpaolo as at 31 March 2009 and 31 December 2008. Such information is derived from the unaudited consolidated quarterly financial statement of Intesa Sanpaolo as at and for the three months ended 31 March 2009 and the audited consolidated annual financial statements as at and for the year ended 31 December 2008.

<b>Loans to Customers</b>	<i>31/03/2009</i>	<i>31/12/2008</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(in millions of Euro)</i>	
Current accounts	36,929	37,942
Mortgages	169,843	168,876
Advances and other loans	148,388	153,174
Repurchase agreements	3,804	8,177
Loans represented by securities	16,076	15,496
Non-performing loans	12,446	11,524
<b>Loans to Customers</b>	<b>387,486</b>	<b>395,189</b>

<b>Loans to customers: loan portfolio quality</b>	<i>31/03/2009</i>	<i>31/12/2008</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(in millions of Euro)</i>	
Doubtful loans	4,235	3,968
Substandard and restructured loans	6,484	5,690
Past due loans	1,727	1,866
Non-performing loans	12,446	11,524
Performing loans	358,964	368,169
Loans represented by performing securities	16,076	15,496
<b>Loans to Customers</b>	<b>387,486</b>	<b>395,189</b>

## FUNDING ACTIVITY

The following tables provide a breakdown of the Intesa Sanpaolo Group's direct customer deposits as at 31 March 2009 and 31 December 2008.

	<i>31/03/2009</i>	<i>31/12/2008</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(in millions of Euro)</i>	
Current accounts and deposits	198,610	202,550
Repurchase agreements and securities lending	5,722	8,528
Bonds	128,836	119,720
<i>of which designated at fair value<sup>(1)</sup></i>	<i>3,863</i>	<i>3,878</i>
Certificates of deposit	32,198	30,899
Subordinated liabilities	21,214	20,031
Financial liabilities of the insurance business designated at fair value <sup>(1)</sup>	21,288	21,241
Other deposits	28,396	27,928
<i>of which designated at fair value<sup>(1)</sup></i>		
<b>Direct customer deposits</b>	<b><u>436,264</u></b>	<b><u>430,897</u></b>

(1) Figures included in the Balance sheet under the item Financial liabilities designated at fair value through profit and loss.

## REGULATORY CAPITAL

Regulatory capital and related capital ratios as at 31 March 2009 were determined by applying the instructions issued by the Bank of Italy in accordance with the new Basel II provisions.

It should be noted that, subsequent to the authorisation by the Supervisory authority and with effect from 31 December 2008, the Intesa Sanpaolo Group has adopted the Foundation Internal Rating Based approach (FIRB) for calculating credit risk capital requirements with regard to regulatory portfolio Credit exposures towards businesses (Corporate). The initial scope of application of the FIRB approach includes the Parent Company, the network banks (with the exception of Carifirenze and Casse del Centro) and the main specialised lending companies.

	<i>31/03/2009</i> <i>Unaudited</i> <i>(in millions of</i> <i>Euro)</i>	<i>31/12/2008</i> <i>Audited</i> <i>(in millions of</i> <i>Euro)</i>
Tier 1 capital	27,196	27,074
<i>of which: preferred shares</i>	3,000	2,998
Tier 2 capital	15,038	14,748
Minus items to be deducted	(2,791)	(2,774)
<b>REGULATORY CAPITAL</b>	<b>39,443</b>	<b>39,048</b>
Tier 3 subordinated loans	276	30
<b>TOTAL REGULATORY CAPITAL</b>	<b>39,719</b>	<b>39,078</b>
<b>RISK-WEIGHTED ASSETS</b>	<b>378,676</b>	<b>383,072</b>
<b>Capital ratios</b>		
Core Tier 1	6.4	6.3
Tier 1	7.2	7.1
Total capital ratio	10.5	10.2

In compliance with provisions of Bank of Italy Circular 263/2006, in the calculation of capital ratios elements deducted from total regulatory capital have been deducted separately and for an equal amount from Tier 1 and Tier 2 capital, with the exception of the contribution deriving from the Insurance business that refer to contracts which arose prior to 20 July, 2006, and as such continue to be deducted from total capital.

As at 31 March 2009, regulatory capital amounted to 39,443 million euro and total capital, including Tier 3 subordinated loans, was 39,719 million euro.

The regulatory capital includes 100 per cent. of the net income for the period, *i.e.* 1,075 million euro.

After only three months in a year forecast to be difficult, it seems premature to envisage a potential allocation of net income for the period, though the intention to return to a distribution of cash dividends on ordinary shares, as regards the 2009 economic result, is confirmed.

As at the same date, the Core Tier 1 ratio was 6.4 per cent., up 10 bp on 31 December 2008, with the Tier 1 ratio and Total Capital ratio standing at 7.2 per cent. and 10.5 per cent., respectively.

The increase in the Core Tier 1 ratio is due to the reduction in risk-weighted assets, while a modest increase was recorded in Regulatory Capital.



## DESCRIPTION OF THE SELLER

### History and development

Banca Infrastrutture Innovazione e Sviluppo S.p.A. became operational in its current configuration as of 1 January 2008, as a result of the integration between Banca Intesa Infrastrutture e Sviluppo and Banca OPI, the two public sector financing subsidiaries of the former Intesa Group and Sanpaolo Group.

The integration between Banca Intesa Infrastrutture e Sviluppo S.p.A. (as from 1 January 2008 renominated as Banca Infrastrutture Innovazione e Sviluppo S.p.A. or BIIS S.p.A.) and Banca per la Finanza alle Opere Pubbliche ed alle Infrastrutture S.p.A. (Banca OPI) was realized through total de-merger of Banca OPI (hereinafter the “**Transaction**”) and became effective as from 1 January 2008. BIIS maintained the legal title over all the legal relationships previously referred to Banca Intesa Infrastrutture e Sviluppo S.p.A.; BIIS succeeded in all assets, liabilities and legal relationships previously referred to Banca OPI without interruption nor variations, with the sole exceptions of the participation held by Banca OPI in Fin.OPI S.p.A. and SINLOC S.p.A., being transferred, respectively, to Intesa Sanpaolo S.p.A. and Fin.OPI S.p.A.

The Transaction has been authorised by the Bank of Italy on 24 October 2007; by the end of 2007 the Transaction was completed, pursuant to the de-merging and integration plan deposited in the relevant company register in Turin and Rome on 30 October 2007 and 29 October 2007.

BIIS’s principal objects, as set out in its by-laws, are the deposit-taking and the carrying out of all forms of lending activities – with particular reference to the provision of specialized financial services to central and local public authorities and to companies owned/controlled by public entities - as well as the carrying out of other banking and financial activities, in compliance with laws and regulations, including investment services. BIIS may also carry out any other transactions that are instrumental for, or related to, the achievement of its corporate purpose.

BIIS was incorporated under the laws of Italy as of 1 January 2006; its duration shall be until 31 December 2050 and may be extended. BIIS’ registered office is in Rome at Via del Corso, 226.

### Business

BIIS has the mission of promoting development and economic growth in the countries in which it operates, focusing its business on six priority areas:

- development of major infrastructures
- financial support to public and private healthcare services, universities and scientific research
- improvement of public utility services
- support to the central and local government financing
- financing of urban development and projects of public interest at a local level
- introduction of innovative solutions for the efficient management of banking services by public entities

BIIS aims at promoting cooperation between the public and private sectors at all levels, both in Italy and abroad, through a specific offer of conventional and innovative financial services, ranging from medium/long-term loans and project financing to capital markets products, M&A and specialized factoring and leasing. BIIS also offers all the typical commercial banking services, such as treasury and cash management, receipt of contributions, short term loan advances, commercial payments, deposits and withdrawals.

BIIS has been allocated a strategic role within the Intesa Sanpaolo Group: the mission, clients and products, management and operating and commercial structures of the Bank are those of the “Public Finance Business Unit”, one of the four main business units into which the group is organised.

BIIS is exclusively dedicated to all the players providing essential public services and involved in public spending, such as central and local public authorities, public and private healthcare, public utilities and general contractors; with 19 specialized branches and the support of more than 8,300 branches of the group, it serves approximately 2,800 clients in Italy and abroad (figures as at 31 March 2009).

### *Lending Activities*

The following tables provide a breakdown of the lending activities as at 31 December 2008 and 2007 (BIIS' 2008 Annual Report).

<b>Loans to Customers</b> (in millions of euro)	<b>31/12/2008</b>	<b>31/12/2007</b>
	<i>Audited</i>	<i>Unaudited (1)</i>
Current accounts	494	341
Mortgages	25,854	25,226
Advances and other loans	2,377	2,668
Repurchase agreements	-	-
Loans represented by securities	7,971	4,112
Non-performing loans	401	44
<b>Loans to Customers</b>	<b>37,098</b>	<b>32,393</b>

<b>Loans to customers - net exposure (in millions of euro): loan portfolio quality</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
<i>Doubtful loans</i>	35	2
<i>Substandard and restructured loans</i>	97	14
<i>Past due loans</i>	270	29
Non-performing loans (total)	401	44
Performing loans	28,726	28,236
Loans represented by performing securities	7,971	4,112
<b>Loans to Customers</b>	<b>37,098</b>	<b>32,393</b>

(1) Figures restated on a consistent basis

### *Funding Activities*

Within Intesa Sanpaolo, funding and liquidity are managed centrally, and BIIS's treasury operates within guidelines set by the group. BIIS is predominantly wholesalefunded, deriving a large portion from its parent. Given its public sector focus, the bank holds a large volume of assets that are eligible for refinancing operations with the European Central Bank.

### **Share capital and shareholders**

As at 31 December 2008, BIIS had an issued and fully paid up share capital of €346,300,000.00, consisting of 346,300,000.00 ordinary shares with a nominal value of €1 each.

BIIS's share capital is owned by the sole shareholder Intesa Sanpaolo S.p.A; shares are unlisted.

### **Employees**

As at 31 December 2008, BIIS had 339 employees, compared to 332 employees as at the previous year end.

## **Board of Directors**

Chairman	Mario Mauro
Chief Executive Officer	Mario Ciaccia
Directors	Giovanni Azzaretti
	Vincenzo De Stasio
	Paolo Fumagalli
	Piero Luongo
	Francesco Piero Lussignoli
	Alberto Pacifici
	Giuliano Segre
	Flavio Venturini

## **Board of Statutory Auditors**

Chairman	Giorgio Giorgi
Auditors	Pierluigi Benigno
	Carlo Maria Bertola
Deputy Auditors	Francesca Monti
	Paolo Giulio Nannetti

## **Litigation**

### ***Litigation regarding the Municipality of Taranto***

In October 2006, the Municipality of Taranto declared its “*dissesto*”, a special procedure in case of serious financial distress regulated by Legislative Decree no. 267, of August 18, 2000.

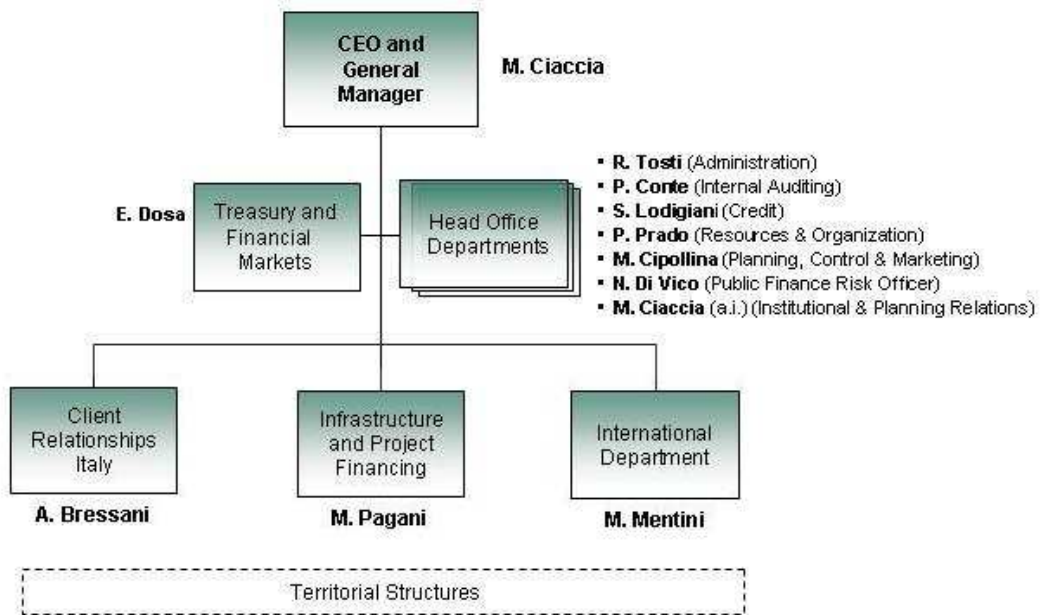
During year 2007, BIIS and the Municipality of Taranto entered into a settlement agreement. Notwithstanding such agreement, the Municipality of Taranto brought a civil action against BIIS before the Court of Taranto. On April 27, 2009 the Court of Taranto issued a decision on such matter, substantially in favour of the Municipality of Taranto, and in accordance with the same, *inter alia*:

- (i) ascertained the default of BIIS (formerly Banca Opi) as advisor of the Municipality of Taranto;
- (ii) declared as null and void (a) the financial transaction concerning the issuance of Municipality bonds for the amount of Euro 250 millions, (b) the financing agreement entered into by the Municipality of Taranto and BIIS for an amount of Euro 100 millions, (c) the related delegations of payments notified to the treasurer of the Municipality of Taranto, on May 20, 2004, and on November 18, 2004;
- (iii) condemned BIIS to reimburse to the Municipality of Taranto all the sums paid by the latter through its treasurer, in fulfilling its obligations pursuant to the financial transactions declared null and void, as described above, and the connected delegations of payments, plus legal interest from the dates in which the payments were made;
- (iv) condemned the Municipality of Taranto to reimburse to BIIS all the sums paid by the latter in fulfilling its obligations pursuant to the financial transactions declared null and void, as described above, plus legal interest due from the dated on which the claim was filed;
- (v) condemned BIIS to refund damages suffered to the Municipality of Taranto, stating, (as requested by the claimant), that for the determination of the amounts of such damages a separate judicial proceeding was to be set up.

BIIS, also on the basis of legal opinions released by primary law firms, believes that the claims of the Municipality of Taranto are unfounded and the decisions issued by the Court of Taranto are not correct. Accordingly with the above, on June 18, 2009, BIIS challenged the decision of the Court of Taranto by filing an “*atto di appello*”.

## Management

A customer-oriented organisation:



## Selected financial information

The following tables set out selected balance sheet and income statement information derived from the audited financial statements of BIIS as at and for the year ended 31 December 2008 and the unaudited restated financial statements as at and for the year ended 31 December 2007.

<b>Balance Sheets</b> (in millions of euro)	<b>As at 31 December</b>	
	<b>2008</b>	<b>2007</b>
	<i>Audited</i>	<i>Unaudited (1)</i>
<b>Assets</b>		
<i>Financial assets held for trading</i>	1,085	1,473
<i>Financial assets at fair value</i>	0	0
<i>Available-for-sale financial assets</i>	3,014	6,528
<i>Loans to customers</i>	37,098	32,393
<i>Other Assets</i>	3,780	3,586
<b>Total assets</b>	<b>44,977</b>	<b>43,980</b>
<b>Liabilities</b>		
<i>Due to banks</i>	37,640	36,455
<i>Due to customers</i>	2,088	2,268
<i>Securities in issue</i>	1,869	2,346
<i>Other liabilities</i>	2,645	1,969
<b>Net liabilities</b>	<b>44,242</b>	<b>43,038</b>
<i>Shareholders equity</i>	735	942

(1) Figures restated on a consistent basis

<b>Statements of income</b> (in millions of euro)	<b>For the year ended 31 December</b>	
	<b>2008</b>	<b>2007</b>
	<i>Audited</i>	<i>Unaudited (1)</i>
<i>Net interest income</i>	298.8	187.7
<i>Net fee and commission income</i>	44.1	37.2
<i>Profit (losses) on trading</i>	-29.0	21.5
<i>Other operating income</i>	0.1	7.3
<i>Operating income</i>	313.9	253.7
<i>Operating costs</i>	-69.6	-73.7
<i>Operating margin</i>	244.3	180.0
<i>Net adjustments to loans</i>	-128.0	-9.9
<b>Net Income</b>	<b>47.3</b>	<b>117.9</b>

(1) Figures restated on a consistent basis

## DESCRIPTION OF THE COVERED BONDS GUARANTOR

**The Covered Bonds Guarantor has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds.**

The Covered Bonds Guarantor was incorporated in the Republic of Italy as a limited liability company incorporated under Article 7-bis of Law 130, with Fiscal Code number and registration number with the Milan Register of Enterprises No. 05936150969 and registered under No. 40387 in the general register held by *Unità di Informazione Finanziaria* established at the Bank of Italy pursuant to Article 106 of the Banking Law.

The Covered Bonds Guarantor was incorporated on 14 November 2007 and its duration shall be until 31 December 2050.

The Covered Bonds Guarantor has its registered office at Via Monte di Pietà 8, 20121 Milan, Italy and the telephone number of the registered office is +39.02.8796.3002 and the fax number is +39.02.8796.3226.

The authorised, issued and paid in quota capital of the Issuer is Euro 120,000.00.

### **Business Overview**

The exclusive purpose of the Covered Bonds Guarantor is to purchase from banks, against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-bis of Law 130 and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities.

The Covered Bonds Guarantor, indeed, has granted the Covered Bonds Guarantee to the benefit of the Covered Bondholders, of the counterparts of derivatives contracts entered into with the purpose to cover the risks inherent the purchased credits and securities and of the counterparts of other ancillary contracts, as well as to the benefit of the payment of the other costs of the transaction, with priority in respect of the reimbursement of the others loans, pursuant to paragraph 1 of Article 7-bis of Law 130.

Within the limits allowed by the provisions of Law 130, the Covered Bonds Guarantor can carry out the ancillary transactions to be stipulated in view of the performance of the guarantee and the successful conclusion of the issue of covered bonds in which it participates or, however, auxiliary to the aim of its purpose, as well as the re-investment in other financial activities of the assets deriving from the management of the credits and the securities purchased, but not immediately invested for the satisfaction of the Covered Bondholders' rights.

Since the date of its incorporation, the Covered Bonds Guarantor has not engaged in any business other than the purchase of the Portfolio and the entering into of the Transaction Documents and other ancillary documents.

So long as any of the Covered Bonds remain outstanding, the Covered Bonds Guarantor 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 Transaction 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.

The Covered Bonds Guarantor will covenant to observe, *inter alia*, those restrictions which are detailed in the Intercreditor Agreement.

### **Administrative, Management and Supervisory Bodies**

The directors of the Covered Bonds Guarantor are:

- Mr. Paolo Vantellini, as President;
- Mr. Andrea Calamanti, as director; and
- Mr. Carlo Bellavite Pellegrini, as director.

The statutory auditors of the Covered Bonds Guarantor are:

- Mr. Nicola Bruni, as President;
- Mr. Eugenio Maria Braja, as effective statutory auditor;
- Mr. Giuseppe Dalla Costa, as effective statutory auditor.

The business address of each member of the Board of Directors and the Board of Statutory Auditors is ISP CB Pubblico S.r.l., Via Monte di Pietà 8, 20121 Milan.

### **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 the Covered Bonds Guarantor (hereafter together the “**Quotaholders**”) are as follows:

Intesa Sanpaolo	60 per cent. of the quota capital;
Stichting Viridis 2	40 per cent. of the quota capital.

Intesa Sanpaolo, with the 60 per cent. of the quota capital controls the Covered Bonds Guarantor, which belongs to the Intesa Sanpaolo Group. 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 Intesa Sanpaolo to purchase from Stichting Viridis 2 and a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo, the quota of the Covered Bonds Guarantor held by Stichting Viridis 2 and provisions in relation to the management of the Covered Bonds Guarantor. Each option may only be exercised from the day on which all the Covered Bonds have been redeemed in full or cancelled.

In addition the Quotaholders’ Agreement provides that no Quotaholder of the Covered Bonds Guarantor will approve the payments of any dividends or any repayment or return of capital by the Covered Bonds Guarantor 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 Covered Bonds Guarantor’s Assets and Liabilities, Financial Position, and Profits and Losses**

Set out below, under the section “*Financial Statements*”, is summary financial information of the Covered Bonds Guarantor, derived from the statutory financial statements of the Covered Bonds Guarantor as at and for the year ended 31 December 2008, prepared in accordance with IAS/IFRS Accounting Standards principles in respect of which an audited report has been delivered by Reconta Ernst and Young S.p.A. on 18 March 2009. Such financial statements, together with the report of Reconta Ernst and Young S.p.A. and the accompanying notes, are incorporated by reference into this Base Prospectus. The financial information below should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements, reports and the notes thereto. See “*Documents incorporated by reference*”.

#### *Capitalisation and Indebtedness Statement*

The capitalisation of the Covered Bonds Guarantor as at the date of this Base Prospectus is as follows:

*Quota capital Issued and authorised*

Intesa Sanpaolo has a quota of Euro 72,000 and Stichting Viridis 2 has a quota of Euro 48,000, each fully paid up.

*Total capitalisation and indebtedness*

Save for the foregoing and for the Covered Bonds Guarantee and the Subordinated Loan, in accordance with the Subordinated Loan Agreement, at the date of this document, the Covered Bonds Guarantor has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

**Auditors**

Reconta Ernst and Young S.p.A., which is also a member of Assirevi, the Italian association of auditing firms, has been appointed to perform the audit of the financial statements of the Covered Bonds Guarantor as at and for year 2008. Copies of the financial statements of the Covered Bonds Guarantor for each financial year could be inspected and obtained free of charge during usual business hours at the specified offices of the Administrative Services Provider and the Luxembourg Listing Agent.

**Financial Statements**

**Balance Sheet**

<i>Assets</i>	<i>Euro</i>
Receivables	52,766
Tax assets	829
Other assets	7
Total Assets	<u>53,602</u>
<i>Liabilities and Quotaholders' Equity</i>	
Tax liabilities	2,568
Other liabilities	21,113
<i>Quotaholders' Equity</i>	
Quote capital	70,000
Net income (loss)	(40,079)
Total Liabilities and Quotaholders' Equity	<u>53,602</u>

**Income statement**

<i>Income</i>	<i>Euro</i>
Interest and similar income	3,071
Other operating income	-
<i>Expenses</i>	
Fee and commission expense	(114)
Administrative expenses	(43,036)
Taxes on income from continuing operations	-
Result for the period from 1 January 2008 to 31 December 2008	<u>(40,079)</u>



### **Documents on Display**

For the life of the Base Prospectus the following documents may be inspected at the specified offices of the Administrative Services Provider and the Luxembourg Listing Agent:

- a) the memorandum and articles of association of the Covered Bonds Guarantor;
- b) Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008;
- c) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Covered Bonds Guarantor's request any part of which is included or referred to in the registration document;
- d) the historical financial information of the Covered Bonds Guarantor or, in the case of a group, the historical financial information of the Covered Bonds Guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the registration document.

## DESCRIPTION OF THE ASSET MONITOR

The BoI OBG 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 Bonds Guarantee.

Pursuant to the BoI OBG Regulations, the asset monitor must be an independent auditor, enrolled with the special register of accounting firms held by the CONSOB pursuant to article 161 of the Financial Law and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the Board of Statutory Auditors (*collegio sindacale*) of the Issuer.

Mazars S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Corso di Porta Vigentina, 35, 20122, Milan, Italy, fiscal code and enrolment with the companies register of Milan No. 01507630489, and enrolled under No. 97909 with the special register of accounting firms held by the *Commissione Nazionale per le Società e la Borsa* pursuant to article 161 of the Financial Law.

Pursuant to an engagement letter entered into, on or about the Initial Issue Date, with the Issuer and the Seller, the Issuer has appointed the Asset Monitor in order to perform, subject to receipt of the relevant information from the Issuer, specific monitoring activities concerning, *inter alia*, (i) the compliance with the eligibility criteria set out under MEF Decree with respect to the Public Assets and Integration Assets included in the Portfolios; (ii) the compliance with the limits on the transfer of Public Assets and Integration Assets set out under MEF Decree; and (iii) the effectiveness and adequacy of the risk protection provided by any swap agreement entered into in the context of the Programme.

The engagement letter is in line with the provisions of the BoI OBG Regulations in relation to 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 the Initial Issue Date, the Issuer, the Calculation Agent, the Asset Monitor, the Covered Bonds Guarantor and the Representative of the Covered Bondholders entered into the Asset Monitoring Agreement, as more fully described under "*Summary of the Transaction Documents — Asset Monitor Agreement*".

## DESCRIPTION OF THE INITIAL PORTFOLIO – COLLECTION AND RECOVERY PROCEDURES

### A – INITIAL PORTFOLIO

#### Introduction

The assets forming part of the Initial Portfolio comprise receivables originated by BIIS (the “**Seller**”) or which have been transferred to the Seller (by way, for example, of the transfer of going concern to the Seller), consisting of some or all of the following asset types: : (i) loans (the “**Loans**”) extended to, or guaranteed by (on the basis of “guarantees valid for the purpose of credit risk mitigation” – *garanzie valide ai fini della mitigazione del rischio di credito* – as defined by Article 1, paragraph 1, lett. h) of the MEF Decree), the public entities indicated in Article 2, paragraph 1, lett. c) of the MEF Decree (including (a) public administrations of Admitted States, including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the “Standardised Approach” to credit risk measurement; (b) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the “Standardised Approach” to credit risk measurement (provided that such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Covered Bonds Guarantor); (ii) securities issued or guaranteed by the entities mentioned under (i) above satisfying the requirements set forth under article 2, paragraph 1, letter c) of the MEF Decree (the “**Public Securities** ”); and (iii) securities issued in the framework of securitisations having the characteristics set forth under article 2, paragraph 1, letter d) of the MEF Decree having as underlying collateral Loans or Public Securities (the “**ABS Securities** ” and jointly with the Public Securities and the securities mentioned under article, 2, para. 3, point 3, of the MEF Decree and any ancillary right thereto the “**Securities** ”). Assets under (i), (ii) and (iii) are jointly defined as the “**Public Assets**” and, within certain limits, Integration Assets (as defined below). The monetary claims arising out of Public Assets and the Integration Assets (as defined below) are jointly defined as the “**Receivables**”.

The Claims pertaining to the Initial Portfolio arise from Loans maturing no later than 31 January 2047.

#### Description of the Debtors

The Debtors of the Initial Portfolio are the Republic of Italy, Italian regions, local entities, public entities and public law bodies (*organismi di diritto pubblico*), but also joint stock companies which carry out an activity for the benefit of any public entity, and in such case the obligations assumed are guaranteed by public entities. Indicatively, the loans may be divided as follows:

- (i) loans granted to local entities;
- (ii) loans granted to Italian regions;
- (iii) loans granted to other public law entities;
- (iv) loans granted to joint stock companies, local entities and other public law entities, whose amortisation charges are borne by the State. In some cases, indeed, the loan agreements provide for a borrower which is the beneficiary of the loan (the “**Beneficiary**”), while a different subject (such as the State) undertakes to repay the Loan.

The Seller may grant loans which are repayable by one or more Debtors which may (but do not necessarily) include the beneficiaries of such loans.

The Debtor is always ultimately responsible for paying the debt so an analysis of the credit quality of the Portfolio should be based on the nature of such Debtors. The Debtors of the Initial Portfolio are:

A. Territorial entities.

The State, the regions and the other local entities are qualified as territorial entities, being stringently connected with the territory, which constitutes an essential feature for their existence.

(i) **State**

Italy has been a democratic republic since 1946. The Government operates in accordance with a constitution, originally adopted in 1948, that provides for a division of powers among the legislative branch, the executive branch and the judiciary.

(A) The Legislative Branch. The Italian Parliament consists of a Chamber of Deputies, with 630 elected members, and a Senate, with 315 elected members and a small number of life Senators, consisting of former Presidents of the Republic and prominent individuals appointed by the President. The Chamber of Deputies and the Senate share the legislative power equally and have substantially the same powers. Any statute must be approved by both assemblies before being enacted. Except for life Senators, members of Parliament are elected for five years by direct universal adult suffrage, although elections have been held more frequently in the past, because the instability of multi-party coalitions has led to premature dissolutions of Parliament.

(B) The Executive Branch. The head of State is the President, elected for a seven-year term by an electoral college that includes the members of Parliament and 58 regional delegates. The current President, Giorgio Napolitano was elected in May 2006. The President has the power to appoint the Prime Minister and to dissolve Parliament. The Constitution also grants the President the power to appoint one-third of the members of the Constitutional Court, to call general elections and referenda and to command the armed forces. The President nominates and the Parliament confirms the Prime Minister, who is the effective head of Government. The Council of Ministers is appointed by the President on the Prime Minister's advice. The Prime Minister and Council of Ministers are responsible to both houses of Parliament and must resign if Parliament passes a vote of no confidence in the administration.

(C) In this context, the expression "State" refers to the set of central governing institutions that has sovereignty over the territory of the Republic of Italy. As a consequence, the definition of State comprises the following entities: the constitutional bodies, the Ministries and, more in general, the public administrations which carry out any governing and administrative activity.

(ii) **Local entities**

Pursuant to Article 2 of Legislative Decree 267/2000 local entities are municipalities, provinces, mountain municipalities (*comunità montane*), metropolitan cities (*città metropolitane*), island municipalities (*comunità isolane*) and unions of municipalities (*unioni di comuni*).

(a) Provinces and municipalities

Provinces and municipalities are autonomous local territorial public entities with their own statute, powers and functions according to the principles set out

in the constitution of the Italian Republic.

The provincial bodies are the provincial council (*consiglio provinciale*), the provincial executive board (*giunta provinciale*) and its president. The provincial council is the body responsible for political and administrative policy determination and control and its duties include organising public utility services, establishing special institutions and enterprises, managing the province's shareholding in corporations and outsourcing activities and services by way of convention. The provincial executive board works alongside the president in governing the province and operates by way of board decisions. The president has powers of representation and is in charge of the administration of the province.

The municipal bodies are the municipal council (*consiglio comunale*), the municipal executive board (*giunta comunale*) and the mayor (*sindaco*). The municipal council is responsible for the political and administrative policy determination and control and its duties include organising public utility services, establishing special institutions and enterprises, managing the municipality shareholding in corporations and outsourcing activities and services by way of convention. The giunta comunale works alongside the mayor in governing the municipality and operates by way of board decisions. The mayor has powers of representation and is in charge of the administration of the municipality.

As public entities, provinces and municipalities may not be declared bankrupt. They may be subject to dissesto (see "*Selected Aspects of Italian Law - Insolvency of provinces and municipalities*").

(b) Mountain municipalities (*comunità montane*)

Comunità montane are either: (i) unions of municipalities, and (ii) local entities established between mountain and partially mountain municipalities, also within the territory of different provinces, for the exploitation of the mountain spaces with the scope of exercising specific functions, delegated functions and the joint exercise of municipal functions. The comunità montana has an executive body and a managing body made up of mayors, members of the giunta municipale and of the consiglio municipale.

Mountain municipalities may not be declared bankrupt nor may be subject to dissesto.

(c) Metropolitan cities (*città metropolitane*)

The municipalities of Turin, Milan, Naples, Venice, Genova, Bologna, Florence, Rome, Bari and the other municipalities having with such areas a tight connection with respect to territorial integration, and in relation to economic activities, may constitute a città metropolitana having a specific regulation applicable to it. For this purpose and upon request by the relevant municipalities, the president of the province convenes the meeting of the relevant municipalities. The meeting approves the by-laws of the città metropolitana setting forth the territory, the structure, the functions and the competent bodies. Once established, the città metropolitana has the functions of a province, is entitled to provide for the decentralising (*decentramento*) set forth by the by-laws, by respecting the identity of the local entities by which it is composed.

Metropolitan municipalities may not be declared bankrupt nor may be subject to dissesto.

(d) Island municipalities (*comunità isolane*)

The comunità isolane, with the exception of Sardinia and Sicily, may be established where there are certain municipalities within the territory of an island or of an archipelago. The provisions relating to the comunità montane are applicable to comunità isolane.

Island municipalities may not be declared bankrupt nor may be subject to “*dissesto*”.

(e) Unions of municipalities (*unioni di comuni*)

The unions of municipalities are local entities established among two or more municipalities, generally in the neighbourhood, for the purpose of exercising jointly certain functions. The constitutive documents of said unions are approved by the municipal councils of the relevant municipalities. The union of municipalities has regulatory power in relation to its own organisation, to the carrying out of the relevant functions and for the financial relationship with the municipalities. To the extent applicable, the unions of municipalities are regulated by the same provisions regulating the municipalities.

Unions of municipalities may not be declared bankrupt nor may be subject to “*dissesto*”.

(iii) **Regions and autonomous provinces** (*regioni e province autonome*)

Italy is made up of 20 regions and the two autonomous provinces of Trento and Bolzano. The territories of the regions are divided into provinces and the territories of the provinces into municipalities.

Regions are autonomous public entities with their own rules, powers and functions according to the principles set out in the constitution of the Italian Republic. Regions exercise legislative powers over matters which are not expressly reserved for State legislation. The regional bodies are the regional council (*Consiglio Regionale*), the regional executive board (*Giunta*) and its president. The regional council exercises the legislative powers attributed to the region, the executive board is the region’s executive body and its president represents the region. As public entities, regions may not be declared bankrupt.

There are two autonomous provinces in Italy, namely Trento and Bolzano. Autonomous provinces are Italian provinces provided with a special organisational autonomy and with legislative power according to the Italian Constitution. Autonomous provinces are provided with organisation and powers similar to those of the regions. The provincial government is the executive body of the autonomous provinces, implements the laws passed by the provincial assembly and administers the province. The provincial government consists of the president, vice-presidents and assessors. The provincial government is the highest authority as regards the provincial administration, gives instructions to subordinate provincial authorities, participates in the legislative process, defends the rights of the province *vis-à-vis* the State and controls the municipalities and public bodies of the province. The President is the representative of the province, is responsible for provincial policy, assigns to the assessors their departments, convokes the local government and chairs its meetings and participates in meetings of the Italian Government if questions concerning the province are on its agenda. As public entities, autonomous provinces may not be declared bankrupt.

*Description of treasurers of local entities*

Articles 208 and following of Legislative Decree No. 267/2000 provide rules on the treasurers (each a “**Treasurer**”) of local entities (such as provinces and municipalities). The Treasurer must be: (i) for the larger local public entities (*capoluogo di provincia*) and for provinces, a bank authorised to collect savings and to grant loans pursuant to Article 10 of the Banking Law, while (ii) for smaller municipalities, either (a) a bank

authorised to collect savings and to grant loans pursuant to Article 10 of the Banking Law or (b) a joint stock company whose statutory purpose is the provision of treasury services. Local entities must select an external Treasurer for the operation of their financial activities, to be selected through a public tender procedure. The Treasurer is responsible for any liability caused to the local entity or to third parties (Legislative Decree No. 267/2000).

B. *Public law entities*

Pursuant to Bank of Italy Regulations of December 27, 2006, No. 263, as amended from time to time, the non-profit public entities, other than the State and the territorial entities, that mainly carry out administrative activity or supply of services, and any other national or local public organisations without legal personality, are qualified as public law entities (such as, by way of example, local health units, independent public sanitary institutions and any Chambers of Commerce, that the law qualifies as non-territorial local public entities).

On the contrary, for the same purposes any organisations with public legal personality that supply goods and services in view of the sale or the commercialisation, even on the basis of a provision of law or without any remuneration, cannot be qualified as public law entities.

C. *The “other public organisations”*

Pursuant to the communitarian law and Legislative Decree No. 163/2006, “public organism” means any organism (a) specifically instituted in order to satisfy requirements of general interest, without speculative or commercial purpose, (b) endowed with legal personality and (c) whose activity is mainly financed by the State, the territorial entities or other public law entities or whose management is subject to the control of the latter entities or whose bodies of administration, direction or supervision is constituted by members designated for more than a half by the State, the territorial entities or other public law entities. In the light of the above, this category comprises, *inter alia*, Universities, territorial agencies and the Italian Association of the “*Croce Rossa*”.

### **Overview of the categories of Loans within the Initial Portfolio**

The following is a description of the various categories of Loans mentioned before:

#### ***Loans repayable by a Region or an Autonomous Province***

The obligation of a Region or an Autonomous Province to reimburse a Loan granted by the Seller either directly to the Region or the Autonomous Province as beneficiaries or to subjects different from the Regions or Autonomous Provinces, and the purposes of the projects to be financed by such Loan, are established by regional or provincial laws adopted by the relevant regional or provincial council, as the case may be.

The assumption of repayment of each Loan is authorised and effected by an act of the competent body of the Region or Autonomous Province.

When the Loans are not granted directly to the Region or the Autonomous Province, as the case may be, the categories of the potential beneficiaries of the Loans are identified by the relevant regional or provincial laws.

The actual beneficiary of each Loan is identified by the decree of the president of the executive board (*giunta*) of the Region or Autonomous Province pursuant to which such Region or Autonomous Province assumes the repayment of the Loan.

The concession made by the Seller in respect of a Loan where a Region or an Autonomous Province is the entity obliged to reimburse the Loan must indicate the specific regional or provincial law authorizing the region or autonomous province to assume the amortisation.

### *Irrevocable order for payment (Mandato irrevocabile di pagamento)*

In order to ensure the actual payment of the instalments by the Region, the Region undertakes to segregate for the benefit of, and apply in favour of, the Seller the amounts which are necessary to ensure the performance of the obligations arising out of the contract for the whole duration of Loan. The act of appointment, to be notified and accepted by the Treasurer, shall be drawn up in compliance with the model attached to the contract and undersigned by the parties.

In the act of appointment, the Principal (Region) delegates *pro solvendo* the Treasurer, and such delegation shall be binding on the Treasurer, to the repayment to the Seller of the whole amortisation instalments, by means of the Principal's inflow of capital, within the limit of the entire due amount, with priority on every other payment.

### ***Loans repayable by local entities***

The obligation of a local entity to bear the amortisation of loans and the purpose of the projects to be financed by such loans are set out principally in Legislative Decree No. 267/2000.

The commitment of a local entity to repay a Loan must be undertaken through an act of the competent body of such local entity in accordance with the amortisation plan schedule attached to the Loan.

Repayment is made by the local entity through its Treasurer directly to the Seller.

### **Delegation of payment**

In order to ensure the actual payment of the instalments by the Municipality, the latter applies certain of its proceeds, by listing them in a section of the Municipality's balance sheet, to the repayment of the Loan and, accordingly, issues an irrevocable delegation of payment for the benefit of the Seller. In connection therewith, the Municipality undertakes to instruct its Treasurer to effect such payments directly for the benefit of the Seller.

### ***Loans whose amortisation charges are borne by the State***

Some loans may be granted for the purpose of financing a private entity, generally a joint stock company, which supplies a public administration with works, services, goods or engineering. The underlying contract entered into between the public administration and the private entity, which provides for the aforesaid supplies, is always based on a provision of law which authorises the public administration to undertake expenses obligations that shall be deemed as "pluriennial investment grants" (*contributi pluriennali*) within the limit of a certain amount and for a specific purpose.

Such loans may be guaranteed by way of an irrevocable delegation for collection (*delega all'incasso*) granted by the Debtor for the benefit of the Seller, pursuant to Article 4, paragraph 177, of Law no. 350 of December 24 2003, aimed at allowing the Seller to collect the pluriennial investment grants paid by the State to the Debtor. In order to carry out the disbursement of the loan, the delegation for collection and the note of acceptance by the competent public administration shall be delivered to the Seller.

In any case, the relevant public administration does not substitute the Debtor in its obligations *vis-à-vis* the Seller.

Loans granted to private entities and guaranteed by personal guarantee are also included in this category.

## **B – COLLECTION AND RECOVERY PROCEDURES**

### **1. Collection procedures**

Through its own collection procedure, BIIS carries out all the transactions aimed at the collection of the amounts due in respect of the loans granted or the supply of services.



Such activity, upon the development of the organization model by the parent company for such kind of services, is carried out “in service” by the *Direzione Servizi Operativi – Finanziamenti MLT* of Intesa Sanpaolo Group Services which centralizes all the activities of Middle and Back Office of Intesa Sanpaolo Group. In any case, the particular nature of the transactions managed by BIIS have suggested the establishment in the “Direzione Amministrazione” office of BIIS, of an office aimed at granting coordination, interface and protection in respect of the process needs.

Depending on the product to which the amounts to be collected are referred, it is possible to lay down below the following collection and invoicing procedures.

In particular, for loans, liquidity line agreements (short / medium-long term) and revolving, *Direzione Servizi Operativi – Finanziamenti MLT* di Intesa Sanpaolo Group Services, sends, at any payment date, payment notice with respect to the relevant instalment to the borrower, or to the different entity responsible for the payment, if any, and, in the case of pool lending, a notice to the other lenders providing for the indication of the relevant quota. For floating rate transactions, the aforesaid payment notice is preceded by the communication of the current rate, calculated by means of an automatic re-pricing procedure.

Two different procedures for the arrangement and delivery of the payment notice shall be applied, depending on the party in charge for the payment:

- (i) Public Administration: the payment notice is arranged and sent manually (by means of registered letter) because of the particular nature of the underlying loan transaction. The payment notice shall contain a detailed description of the instalment calculation and the administrative unit exclusively responsible for the relevant payment. For loans for which a fixed public budget for the repayment of the instalment is provided, the payment notice shall contain an indication of the debt still outstanding and of the residual budget.

The delivery of the payment notice is carried out between 90 and 60 day prior to the relevant payment date, in accordance with contractual provisions or the preferences of the entities responsible for the payment.

- (ii) Other entities: where another entity is responsible for the payment, the payment notice is automatically sent through the electronic mail transmission service (Systema), about 60 to 45 days prior to the payment date. Contracts which provide for specific provisions regarding the timing for the delivery of the payment notice, similar to those applied to the Public Administration, are not subject to the procedure described above.

Failure in delivery or receipt of the payment notice will not relieve the borrower of the payment obligation vis-à-vis BIIS.

The collections shall pass through the BI-REL system and be credited to BIIS’ account at Intesa Sanpaolo’s branch of Rome EUR, on transitory accounts to be designated by the *Direzione Servizi Operativi – Finanziamenti MLT* di Intesa Sanpaolo Group Services: whether the information necessary for the identification of the relevant loan/client are expressed in the payment documents, the reconciliation is automatic (fully automatic if the amount to be collected is referred to the instalment due in connection with only one transaction; partially automatic, if the amount to be collected relates to different instalments due in the context of several transactions), except for payment of a considerable amount, to be paid by Ministries through the Bank of Italy, or in cases of breach of the instructions provided for the payment to the client, in which case the reconciliation is manual.

The manual reconciliation process takes about 2 to 3 weeks after the dates indicated in the Collection Period (31/1 – 31/7). The manual reconciliation must, in any case, be completed before 20/2 and 20/8.

At the end of the process, any delay in payment is to be pointed out and, where necessary, the relevant recovery procedures will commence.

## 2. Collections and Transfer Procedures in respect of instalments referred to Loans transferred to the Covered Bonds Guarantor

The instalments relating to Loans transferred to the Covered Bonds Guarantor are collected by BIIS which, in accordance with the Servicing Agreement, credits the collected sums on the Collection Accounts (one for principle amounts and one for interest amounts), in the name of the Covered Bonds Guarantor, opened at the branch located at Via del Corso 226, Rome. BIIS, in accordance with the Servicing Agreement, will provide segregation (even accounting) of the Collections and of any other sums received in respect of the Receivables from the other amounts in its availability.

In particular, at the end of each business day, for all Collections verified through GRMA procedure, related to the Receivables transferred to the Covered Bonds Guarantor:

- an accounting record in respect of BIIS and the Covered Bonds Guarantor shall automatically be prepared;
- the Collections be transferred from BIIS to the Covered Bonds Guarantor through the “cash pooling” procedure, which would on a daily basis liquidate the cash flows on these accounts and replicate them on the accounts (Investment Account) in the name of the Covered Bonds Guarantor at Intesa Sanpaolo.

In addition, the following series collection cases, non standard but frequent, have been identified:

- instalment collection with multiple descriptions (*contabile multipla*);
- collection exceeding the amount of the instalment.

The former relates to the simultaneous collection of a number of instalments related to several relations which BIIS may have with the respective transferor. In such cases, BIIS shall adopt the ordinary management accounting criteria and the first accounting notes will be the same above mentioned.

The latter relates to the collection of an amount higher than the instalment. In such event, it will be necessary to evaluate, even on the basis of the provisions set forth under the Master Transfer Agreement and the Servicing Agreement, whether to credit the exceeding amount to the Covered Bonds Guarantor or to hold such amount in favour of BIIS that will record a debt towards the client.

In addition, the Master Transfer Agreement provides for the casuistry of delay in credit the Collections of the instalment by BIIS. In such cases it is provided for that the Covered Bonds Guarantor would record interest on arrears towards BIIS, within the limits and the modalities provided for by the Master Transfer Agreement.

## 3. Classification of Receivable Overdue

The regulation “*Facoltà in Ordine alla Gestione del Credito*” defines the following categories of perishable assets:

- “**Risks to Observation**” (*Rischi in Osservazione*): counterparties for which the management is aimed at the deletion of anomalies in view of the prosecution of commercial relation. This state is referred to all situation characterized by “Negative Symptoms”.
- “**Excess**” (*Sconfino*): entire exposure (arising out of loans, current account, etc.) towards a debtor (other than a receivable considered a Delinquent Asset, Defaulted Claim or Restructured Asset) in respect of overdue receivables, not redeemed and/or outstanding for a period longer than 90/180 consecutive days.
- “**Delinquent Asset**” (*Incaglio*): entire exposure (loans, bank guarantees, etc.) towards an entity in a temporary situation of objective difficulty (temporanea situazione di obiettiva

difficoltà), that is foreseeable to be resolved in a definable period of time, other than by calling upon any eventually provided guarantees (whether personal or real). In any event, the so-called “*Incagli Oggettivi*” being an exposure *vis-à-vis* a counterparty that in accordance with the conditions provided for by the supervisory authority, has been qualified as delinquent in Central Record of Accounts (*Matrice dei Conti*) but remains classified an “*in bonis*” pursuant to the internal procedures of BIIS, have to be included.

- “**Defaulted Asset**” (*Sofferenza*): entire cash exposure towards an insolvent entity (even not judicially confirmed) or in similar situations, independently by eventual losses predictions made by BIIS. In such event, any real or personal guarantees assisting such loan have to be disregarded.
- “**Restructured Assets**” (*Esposizioni Ristrutturate*): exposure for which a bank (or a pool of banks) allows the amendments of the initial contractual provisions following the occurrence or confirmation of a deterioration of the economical or financial conditions of the debtor (for instance, re-formulation of the terms, reduction of the debt and/or interest) which would otherwise cause a loss.

The powers in respect of the management of the Receivables are distributed as follows (maximum limits authorized for any single client):

- (a) authorizing rectification of the loan amount for a maximum amount of:
  - CEO and General Manager – Euro 10,000,000
  - Credit Committee – Euro 8,000,000
  - Head of Credit Department – Euro 2,500,000
- (b) authorizing irrecoverable credit writing-off and transaction causing cash or non-cash collection (such collections are referred exclusively to collection implying the assumption of the obligation (*accollo liberatorio*)) conditional upon the writing-off (gross amount of the position, less the foreseen collection, including any financial effect updated with return plan/moratorium) does not exceed the following amounts:
  - CEO and General Manager – Euro 5,000,000
  - Credit Committee – Euro 3,500,000
  - Head of Credit Department – Euro 1,000,000

#### **4. Management of Critical Receivables**

BIIS has adopted the process of “*Gestione del Credito Problematico*” of the parent company for Large Corporate clients taking into account the features provided for by Basle II.

The process is aimed at a timely management of the positions that show risk alarms in order to:

- distinguish in the better and direct way clients actual risks or false alarms;
- define/pursue definite and timely intervention to:
  - restore into a normal situation the counterparties marketable valid;
  - protect the BIIS’ risk, even in view of the exposure recover;
  - optimize the BIIS’ creation of value.

The organisational logic of such process is based upon the following principles:

- use of several indicators (e.g. level of risk of the single counterparty and of the economic group, probability of default, delay) with the aim of interception;
- use of the probability of default to support the decisive activities;

- diversification of the processes relating to the respective risk level of the client, in particular:
  - counterparties at medium risk (“Intermediate Risk”)
  - counterparties at high risk (“Time 0”) prevalently oriented to the management and the recover/protection of BIIS;
 to effectively manage the risk exposure and recovery of any open exposure BIIS may have;
- involvement of the “*Funzione Crediti*” in case of medium risks signals;
- identification of the manager of the position as a key role of the process;
- timeliness of the intervention.

It has to be mentioned that, the fiduciary positions are in accordance with the internal rules and guidelines subject to an annual review.

The process is supported by the following applicatives:

- Level of Risk: defining, assessing on a monthly basis the relevant level of risk of a corporate clients based on the automatic analysis of available information (balance scoring from “*procedura bilanci*”; quality/quantity of the cash flows, regular drawdown of the loans granted; analysis of the CR.BI. data on the banking system; probability of default ascribed to the counterparty and monitoring probability of default) and assigning to such client the risk indicator “Low”, “Medium” or “High”.
- XRA (sconfino procedure): intercepts automatically all positions which present an excess of cash (*sconfino per cassa*) to BT and instalments in arrears on loans to MLT, apart from the amount of the excess (*sconfino*). Positions characterized by an “up limit” excess for more than 90 consecutive days, are qualified as High Level of Risk. The procedure automatically checks the existence of the conditions for a classification of a position as “*Sconfino*”, in accordance with the rules set forth by the supervisory authority, and subsequently changes the classification implementing the applicable MOPLÉ with the relevant information.
- MOPLÉ: the procedure is composed by two functional areas:
  - (a) Management Phases of the “Critical Receivables Process” (*Stati Amministrativi del Processo Crediti Problematici*) – records all positions automatically intercepted at High / Medium Level of Risk or for continuous excess, their respective interception date, the relevant state of management and expiry date and allows the members of the Funzione Crediti to insert manually any position which, even if not (yet) classified by the systems as being at risk, should be closely monitored.
  - (b) Legal Matters (*Pratiche Legali*): allows the formalization of the classification as Delinquent Asset and Defaulted Asset, the evidence of credit balance and the quantification of analytical allocations.

### Characteristics of the process

“**Critical Receivable**” means a credit to a client (whether individual or corporate) showing symptoms of difficulty, more or less serious, with the subsequent deterioration of the quality of risk recovery by BIIS.

A Receivable that may potentially be critical to trigger a contractual default, if not addressed and resolved in a timely manner, is qualified as a Critical Receivable.

Following the occurrence of such default and in light of the duration and weight of such default, the Receivable could be classified as Risk to Observation or as an Abnormal Receivable (credito anomalo, including a Sconfino, Delinquent Asset, Restructured Asset or Defaulted Asset).

The Critical Receivable Process is aimed at a timely management of a position that shows risk alarms in order to:

- distinguish in the better and direct way clients actual risks or false alarms;
- define/pursue definite and timely intervention to:
  - restore into a normal situation the counterparties marketable valid;
  - protect the BIIS' risk, even in view of the exposure recover;
  - optimize the BIIS' creation of value.

The organisational logic of such process is based upon the following principles:

- use of several indicators (e.g. level of risk of the single counterparty and of the economic group, probability of default, delay) with the aim of interception;
- use of the probability of default to support the decisive activities;
- diversification of the processes relating to the respective risk level of the client, in particular:
  - counterparties at medium risk ("Intermediate Risk")
  - counterparties at high risk ("Time 0") prevalently oriented to the management and the recover/protection of BIIS;to effectively manage the risk exposure and recovery of any open exposure BIIS may have;
- involvement of the Credit Department (*Funzione Crediti*) in case of medium risks signals;
- identification of the manager of the position as a key role of the process;
- timeliness of the intervention and identification of decisive compulsory moments requiring the involvement of higher hierarchically.

Between the events to be taken into account for initiating the procedure, it is necessary to distinguish between "Negative Symptoms" and "Prejudicial Events" is necessary.

### **Negative Symptoms**

The following positions are generally considered as "Negative Symptoms":

- mortgage loan which present unpaid instalment for longer than 120 days and with the last reduction of the principle amount later than 60 days;
- unsecured loan which present unpaid instalment for longer than 90 days and with the last reduction of the principle amount later than 45 days.

### **Prejudicial Events**

The following positions are generally considered as "Prejudicial Events":

- mortgage loan which present unpaid instalment for longer than 180 days and with the last reduction of the principle amount later than 90 days;
- unsecured loan which present unpaid instalment for longer than 120 days and with the last reduction of the principle amount later than 60 days.

### **The Intermediate Risk Process**

The Intermediate Risk Process is aimed at intervening on any position that shows signs of increasing risk in order to protect the commercial relations and to avoid a deterioration of the client's risk profile.

The management responsibility with respect to such position is referred upon the commercial department, tasking it to agree an intervention plan with the respective client to resolve anomalies, to carry out any necessary steps pursuant to such intervention plan ("Plan of Action") as well as to control its effectiveness.

During all phases of the process, the Receivable is considered "*in bonis*" and any decisions about such Receivable lie with the competent Deliberative Body in accordance with the applicable competences.

Whether the Risk Level remains confirmed, or reassessed, certain periodic meetings between the commercial unit in charge of the management of the client and the Credit Department (*Funzione Crediti*) are held.

During such meetings the positioning question is being reassessed to verify the development of such position, the persistence of the conditions justifying the current classification or reclassification in accordance with the then current risk profile.

Such reassessment may include:

- (a) an assessment of the reputational layout of the client (including the calculation of the probability of default or, in case of positions with an inherent reassessment upon expiration (*posizione in validità di scadenza interna di revisione*), in accordance with the provisions concerning the disbursement of loans);
- (b) transmission to the Deliberative Body of updated information relating to the counterparty, relevant for its risk profile. In particular, a reassessment of the probability of default of the counterparty will always be performed taking into account any fiduciary relation or execution of the agreed Plan of Action.

Accordingly, the probability of default will in any event be calculated regularly to provide the Deliberating Body with information necessary for any decision relating to the course of action to reduce any exposure risk.

#### MANAGEMENT PHASES

The process is divided into three management phases; "Management Pre-Reassessment" (*Gestione Ante Revisione*); "Reassessment" (*Revisione*) and "Management" (*Gestione*).

The phase "Management Pre-Reassessment" runs from 30 up to 120 days following the date of interception or, as the case may be, the date of the inherent reassessment upon expiration. During such period, the management activity is focusing on improving the Level of Risk.

At the expiration of the phase, the position in question:

- is reassessed (with amendments of the date inherent reassessment upon expiration or its fixed reassessment date) and automatically placed in "Management";
- is not reassessed and automatically reassigned to "Reassessment".

The "Reassessment" runs for 30 days from the expiration of the "Pre-Reassessment Management" and "Management". During such period, the reputational layout of the client is to be assessed and the necessary information be provided to the Deliberating Body relevant for updating the respective risk profile.

The Plan of Action as agreed with the respective client has particular relevance.

As a result of the Reassessment, a position may be identified as at "Risk to Observation" or as an "Anomalous Receivable".

At the expiration of the phase, the position in question:

- is reassessed (with amendments of the date inherent reassessment upon expiration or its fixed reassessment date) and automatically placed in “Management”;
- is not reassessed and automatically placed in the “Time 0” for a subsequent evaluation by the responsible Desk.

A position is placed under “Management” for up to 180 days. Throughout such period, the position shall be managed with view to improve the Level of Risk.

At the expiration of such phase, whether the position:

- is reassessed (with amendments of the date inherent reassessment upon expiration or its fixed reassessment date) and automatically placed further in “Management”;
- is not reassessed and automatically reassigned to “Reassessment”.

A position can repeatedly be placed under “Management” until it is reclassified following either a deterioration or improvement of its Level of Risk.

### **The Process of “Time 0”**

The aim of the “Time 0” process is that to intervene on the respective position characterized by serious risk signs with the purpose to:

- carry out in a timely manner the necessary activities in order to improve the risk profile and/or to re-establish the commercial relation;
- reduce the average management time to maximize the recovery of Receivables;
- accelerate the transfer to the phases “Anomalous Receivable” of the clients who are in possess of the relevant conditions, activating all the management mechanisms provided for receivable protection.

The allocation of a position in the process triggers the need to promptly identify the aspects relevant for its interception, including any updated information on the relevant client.

It is necessary that the anomalies are evidenced in the Plan of Action. Accordingly, the Plan of Action becomes the means to represent the adopted management strategy as agreed with the client to improve the client’s Level of Risk to the Deliberating Body.

The execution of the Plan of Action is assigned to the department in charge for the carrying out of the relation to the client, representing the then current situation as well as any condition and further steps of the process for the next discussion at the Desk.

The Desk, which consists of professionals in different roles involved in the client management, will assess and evaluate the measures agreed in the Plan of Action, the classification of the position, risk profile and the probability of default.

Except for the classification as “Anomalous Receivable” or its positioning in “Authorized Management Practice” (*Gestione Pratica Autorizzata*), the position in respect of which the Desk decides to maintain the qualification of “in bonis” will in line with the provisions of the Plan of Action and the expectations of improving the Level of Risk be classified as “Risk to Observation”.

The placing of a position in “Risk to Observation” and the possibility to subsequently adjourn requires:

- the execution of the steps set out in the Plan of Action by the competent commercial unit;
- the success of the steps undertaken;
- all and any authorizations by the respective Deliberating Bodies.

The Credit Department (*Funzione Crediti*) assists in all management activities as well as monitors closely the development and amangement of the positioning question.

In “Ready to Desk” (*Pronta da Tavolo*) and “Authorized Management Practice”, the position is generally considered as “in bonis” and any decisions about the receivables are up to the competent Deliberating Body.

Positions in “Risk in Observation” phase are also considered as “in bonis” but the credit limits are deemed be exercised up to the maximum management limits in force from time to time (including any possible concessions in an emergency or in excess to the then approved limits).

#### MANAGEMENT PHASES

The process is divided into three stages: “Ready to Desk”, “Authorized Management Practice” and “Risk to Observation”.

The phase “Ready to Desk” has a term of 30 days during which the position has to be discussed at the Desk. During such period, it is necessary to provide any documentation considered necessary for discussion, together with an update of the probability of default and the Plan of Action to the Desk.

The stage “Authorized Management Practice” has a maximum term of 360 days.

It can be activated for a position characterized by indicators that do not allow a short term resolution of the risk factors or providing for a justification solely in the general context of the relation or the overall corporate structure of the client.

In the current practice, cases as described as follows may be placed under Authorised Management Practice:

- abnormal situations which cannot, even if realistically possible, be promptly resolved (e.g. particular activities in accounts that are scarcely active but assisted by consolidated real guarantees and documented by the Centrale Rischi);
- arrangements with respect to the corporate structure of the client which are not subject to modification but carry guarantees or other forms of credit support from a aprty within the corporate group of the client, if applicable.

By placing such position under Authorised Management Practice, it is not necessary to request specific management intervention as it remains with the internal function of client relations management.

This phase can only be opened by the Desk in exceptional and/or well motivated cases.

The responsibility of the management of positions placed under “Authorized Management Practice” remains with the management unit in which the Receivable originated.

The “Risk to Observation” consists of two phases, each of which carries a term of 60 days, respectively called Phase 1 and Phase 2, and both of which can be followed by the “Prorogation of the Risk to Observation”.

The management is aimed at resolving any anomaly in view of the enforcement of commercial relation in accordance with the provisions set forth under the Plan of Action.

The responsibility of the management of the positions placed in “Risk to Observation” remains with the management unit where the counterparty is placed. The Receivables Service is in charge for, inter alia, (i) monitoring activities in respect of compliance with the Plan of Action, (ii) assessing the possibility to reclassify such position in other phases, and (iii) resolving the credit.

In addition, there is a further “Risk to Observation to Confirm” (*Rischi in Osservazione da Confermare*) phase, with a term of 30 days, whose purpose is to evaluate the possibility to maintain a position in “Risk to Observation” in accordance with the terms of the Plan of Action. In the event that the conditions necessary to continue the management pursuant the Plan of



Action are no longer given, the position can be placed in the category of “Prorogation Risk to Observation” (*Proroga Rischio in Osservazione*).

Purpose of the “Prorogation Risk to Observation” is to allow the completion of the interventions provided for by the Plan of Action. This phase carries a term of 60 days and can be repeatably conducted.

#### **Survey of critical positions: resolution of the transfer of a receivable as Defaulted Asset**

Upon the occurrence or the persistence of anomalies, prejudicial elements or a breach by the client of the agreed amortization plans, and in absence of the conditions for the enforcement of any recovery in good faith, the Relations and Claims Enforcement Office (*Ufficio Politiche e Processi del Credito*) determines the recoverable amounts on the basis of the guarantees, if any, attached to the position, and submits to the competent Deliberating Bodies, a justification for re- classification of the Receivable as a Defaulted Asset.

Upon classification of a Receivable as Defaulted Asset, the management of such position is transferred to the Relations and Claims Enforcement Office which provides information to the manager and the Direzione Servizi Operativi – Finanziamenti MLT di Intesa Sanpaolo Group Services.

Together with external legal advisors, enforcement actions will then be initiated in order to protect the recovery and to avoid foreclosure of the material position of BIIS, in particular:

- the injunction to pay for loan agreements has been notified;
- the petition for injunction to render a receivable due and payable or a claim, as the case may be, has been deposited.

In addition, the Relations and Claims Enforcement Office updates the business register, maintains records relating to the classification of the position to the Defaulted Assets and manages via certain data-processing systems such receivables.

The Ufficio Fiscale e Segnalazioni di Vigilanza di Amministrazione provides on a quarterly basis summary information about the insolvency assets, Default Assets and Delinquency Assets.

#### **Management of the Defaulted Assets**

The Relations and Claims Enforcement Office controls at all times the developments relating to any Defaulted Assets and will

- deposit following the occurrence of the relevant conditions or amended events, e.g.
  - change of the value amendment;
  - change of the phase;
  - economical sacrifices, transactions and/or receivables write-off;
- a proposal for the further treatment of the Defaulted Asset;
- submit the proposals to the competent Deliberating Body for recovery of under the respective Receivable;
- notify the Manager and the Direzione Servizi Operativi – Finanziamenti MLT di Intesa Sanpaolo Group Services and Ufficio Fiscale e Segnalazioni di Vigilanza di Amministrazione with the result of the resolution, in case of variation of classification.

#### **5. Procedure of early redemption**

With agreement between parties, it is permitted to redeem, in full or in part, any receivable prior to the scheduled redemption date. It provides for payment of compensation in an amount equal to 2 % of the amount of the loan to to be redeemed, together, in case of fixed rate loan, an amount equal to cover any breakeage cost. In any case, such compensation will be applied to all receivables but is payable only following negotiation between parties.

## **6. Renegotiations**

The process of renegotiation is applicable to transaction arising out of the restructuring pursuant to article 41, Law 448/01, by way of:

- renegotiating the terms of the respective loan; or
- redeeming such loan in advance simultaneously with the granting of a new loan or the issuance of certain bonds.

There is no prescribed process for conducting such renegotiation but records will need to be maintained.

## **7. Securities Collection Management**

### **Collections**

On the basis of the payment instructions originally given to the Debtors, all principal redemption amounts, interest payments and any other amounts due for any reason in relation to the Securities will be credited by Monte Titoli to the custodian bank in favour of the securities account opened and maintained in the name of the Covered Bonds Guarantor, through the specific segregated liquidator account, properly opened with Monte Titoli. The Covered Bonds Guarantor, as holder of such securities account, shall procure that the custodian bank promptly pays:

- any principal amount to the Principal Securities Collection Account; and
- any interest amount to the Interest Securities Collection Account

in accordance with the Cash, Management and Agency Agreement.

### **Further payments**

In the event that the custodian bank receives or recovers any collections, it shall credit such sums to the relevant Collection Account within one Business Day following receipt of such amounts by the Debtor or third party.

### **Collection payment verification and report of the Securities Collection Account flows**

Further to any payment date of each security, the Direzione Servizi Operativi – Ufficio Global Custody e Amministrazione Contabilità of Intesa Sanpaolo Group Service (each of them in their respective capacity) will verify that the amounts due as principal, interest or for any other reason due in relation to each security in accordance with the relevant Monte Titoli's payment report have been credited on the relevant Collection Account with value on account corresponding to the relevant CB Payment Date.

Should at the end of this verification the sums accredited on the relevant Collection Account be less than the corresponding positions in the relevant Monte Titoli's payment report and/or such amount not have been credited with value on account corresponding to the payment date of each security, the Servicer shall immediately inform in writing the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent and promptly verify the reasons of such mismatch.

### **Account Bank Report**

The Account Bank will promptly upon request deliver to the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, the Account Bank Report complete, exact and precise of all flows with reference to the Principal Securities Collection Account and the Interest Securities Collection Account as of the immediately preceding calendar month.

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer guaranteed by the Covered Bonds Guarantor. The Covered Bonds Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bonds Guarantee until the occurrence of an Article 74 Event or an Issuer Event of Default, service by the Representative of the Covered Bondholders on the Covered Bonds Guarantor of either an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay or, if earlier, following the occurrence of a Covered Bonds Guarantor Events of Default and service by the Representative of the Covered Bondholders of a Covered Bonds Guarantor Acceleration Notice on the Covered Bonds Guarantor. The Issuer will not be relying on payments by the Covered Bonds Guarantor in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders:

- (i) the Covered Bonds Guarantee provides credit support to the Issuer;
- (ii) the Tests are intended to ensure that the Portfolio is sufficient to repay the Covered Bonds at all times;
- (iii) among the Tests: (i) the Asset Coverage Test, in particular, is intended to maintain the sufficiency of the Covered Bonds Guarantor's assets in respect of the Covered Bonds and (ii) the Amortisation Test is intended to test the sufficiency of the Covered Bonds Guarantor's assets in respect of the Covered Bonds following the occurrence an Issuer Event of Default and service of a Notice to Pay on the Covered Bonds Guarantor;
- (iv) the Pre-Maturity Liquidity Test is intended to trigger the provision of liquidity for Hard Bullet Covered Bonds when the Issuer's credit ratings fall below a certain level;
- (v) extendable maturity provisions are applicable to all Series of Covered Bonds other than the Hard Bullet Covered Bonds as specified in the relevant Final Terms.

Certain of these factors are considered more fully in the remainder of this section.

### **Covered Bonds Guarantee**

The Covered Bonds Guarantee provided by the Covered Bonds Guarantor guarantees payment of Guaranteed Amounts on the Due for Payment Date in respect of all Covered Bonds issued under the Programme. The Covered Bonds Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment following the occurrence of an Issuer Event of Default or an Article 74 Event. In this circumstance (and until a Covered Bonds Guarantor Event of Default occurs and a Covered Bonds Guarantor Acceleration Notice is served), the Covered Bonds Guarantor's obligations will only be to pay the Guaranteed Amounts on the Due for Payment Date.

See further "*Description of the Transaction Documents — Covered Bonds Guarantee*", as regards the terms of the Covered Bonds Guarantee.

Under the terms of the Portfolio Administration Agreement, the Issuer and the Seller must ensure on a continuing basis and on each Calculation Date or on any other date on which the verification of the Tests is required pursuant to the Transaction Documents that the Portfolio is in compliance with the Tests described below.

If on any Calculation Date the Portfolio is not in compliance with the Tests, then the Seller (and should the Seller fail to do so, the Issuer) shall sell Public Assets or Integration Assets to the Covered Bonds Guarantor in an amount sufficient to allow the Tests to be met as soon as possible, in accordance with the relevant Master Transfer Agreement. To this extent the Seller shall grant additional amounts under the Subordinated Loan for the purposes of funding the purchase of Public Assets or Integration Assets. If the breach of Tests is not remedied and for so long as such breach is continuing, no further Series of Covered Bonds will be issued and no payments under the Subordinated Loan will be effected.

## Tests

In accordance with the provisions of the MEF Decree, and the Transaction Documents, for so long as the Covered Bonds remain outstanding, the Issuer and the Seller shall procure on a continuing basis and on each Calculation Date, or any other date pursuant to the Transaction Documents, that:

- (a) prior to the occurrence of an Issuer Event of Default, the OC Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of all Series of Covered Bonds (the “**Asset Coverage Test**”) or, following the occurrence of an Issuer Event of Default, and service of the Notice to Pay by the Representative of the Covered Bondholders, the Amortisation Test Adjusted Eligible Portfolio shall be equal to, or greater than, the Outstanding Principal Balance of the Covered Bonds (the “**Amortisation Test**”)
- (b) the Net Present Value of the Eligible Portfolio shall be equal to, or greater than, the Net Present Value of the outstanding Covered Bonds (the “**NPV Test**”);
- (c) the Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Interest Payments and the Annual Net Interest Collections from the Eligible Portfolio shall be equal to, or greater than, the Annual Interest Payments (the “**Interest Coverage Test**”);

(the tests above are jointly defined as the “**Tests**”).

The MEF Decree requires the nominal amount of the Portfolio is to be equal to, or greater than, the outstanding nominal amount of the outstanding Covered Bonds. The Tests are fulfilled in accordance with the Portfolio Administration Agreement. In particular, with reference to the Asset Coverage Test and the Amortisation Test, such tests will be run depending on whether or not an Issuer Event of Default has occurred, provided that both tests are structured to ensure that the outstanding nominal amount of the Portfolio is equal to, or greater than, the nominal amount of the outstanding Covered Bonds.

Compliance with the Tests will be verified by the Calculation Agent and internal risk management functions of the Intesa Sanpaolo Group (under the supervision of the management body of the Issuer) on each Calculation Date and on any other date on which the verification of the Tests is required pursuant to the Transaction Documents, and subsequently checked by the Asset Monitor on a semi-annual basis.

In addition to the above, following the occurrence of a breach of the Tests, based on the information provided by the Servicer with reference to the end of the previous month and with reference to the last day of each calendar month (starting from the date on which such breach has been notified, and until 6 (six) months after the date on which such breach has been cured the Calculation Agent shall verify compliance with the Tests not later than the fifth Business Day of the following calendar month.

For the purposes of this section:

“**6-Month Euribor Equivalent Margin**” means the negative or positive margin, calculated by the Servicer, applied to the 6-Month Euribor used under the TBG Swaps that the Covered Bonds Guarantor would receive by entering into one or more interest rate swaps with a maturity equal to the average number of days to maturity of the outstanding Covered Bonds, semi-annual payments and with respect to which it would pay the interest maturing on (i) each relevant class of Eligible Investments and Authorised Investments and (ii) the Investment Account, in accordance with the composition of investments at the time of calculation.

“**Accrued Interest**” means in relation to any loan, bond or other asset at any date (the “determination date”), the amount of (or the Euro Equivalent amount of) the interest on such loan, bond or other asset (not being interest which is currently paid on the determination date) which has accrued from and including the relevant Bond Payment Date or Loan Payment Date,

as the case may be, immediately prior to the determination date up to and including the determination date.

“**Amortisation Test Adjusted Eligible Portfolio**” means an amount equal to:

EP – Z

where:

EP means the Outstanding Principal Balance of the Eligible Portfolio

Z = (the weighted average number of days to maturity of the outstanding Series of Covered Bonds/365) multiplied by the Euro Equivalent of the outstanding Covered Bonds multiplied by N

where

N = Negative Carry Factor,

provided that, with reference to any Series of Long Dated Covered Bonds, Z shall be equal to zero.

“**Annual Interest Payments**” means, as of a Calculation Date or any other relevant date and with reference to each of the two Guarantor Interest Periods following the next Guarantor Interest Period an amount equal to the aggregate of (a) expected interest payments (or the Euro Equivalent of the expected interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (b) Expected Floating Payments in respect of interest on floating rate Covered Bonds.

“**Annual Net Interest Collections from the Eligible Portfolio**” means, as of a Calculation Date or any other relevant date and with reference to each of (x) the two Guarantor Payment Dates following the Guarantor Payment Date to which the Calculation Date relates or (y) the two Guarantor Interest Periods following the next Guarantor Interest Period or (z) the current and following Collection Periods (as the case may be) an amount equal to the difference between (i) the sum of (a) interest payments (or the Euro Equivalent of the interest payments) from the Fixed Component of the Eligible Portfolio and Expected Floating Payments in respect of interest from the Floating Component of the Eligible Portfolio received or expected to be received, (b) any amount expected to be received by the Covered Bonds Guarantor as payments under the TBG Swaps (which are not Excluded Swaps), (c) with reference to Covered Bonds with semi-annual CB Payment Dates, any amount (or the Euro Equivalent of any amount) expected to be received by the Covered Bonds Guarantor as payments under the CB Swaps (which are not Excluded Swaps), (d) with reference to Covered Bonds with annual CB Payment Dates, half of the amount (or the Euro Equivalent of the amount) to be received annually by the Covered Bonds Guarantor as payment under the CB Swaps (which are not Excluded Swaps); and (ii) the payments (or the Euro Equivalent of the payments) to be effected in accordance with the relevant Priority of Payments, by the Covered Bonds Guarantor in priority to, and including, payments under the Swap Agreements (and half of the amounts to be paid annually under the Swap Agreements, if any) (which are not Excluded Swaps). For the avoidance of doubt, items under (i) (a) above shall include interest expected to be received from the investment, into Eligible Investments and Authorised Investments, of principal collections arising from the expected amortisation of the Eligible Portfolio.

“**Asset Percentage**” means 93% or such other lower percentage as the Issuer on behalf of the Covered Bonds Guarantor shall determine in accordance with Rating Agency methodologies (after procuring the required overcollateralisation also to take into account the provisions of Clause 15 (*Undertakings of the Parties in respect of Certain Risks*) of the Portfolio Administration Agreement, and notify, using the *pro forma* notice attached under Schedule 1 (*Notice of the Asset Percentage*) of the Portfolio Administration Agreement, to the Representative of the Covered Bondholders, the Servicer, the Calculation Agent and the Rating Agency, provided that such percentage shall not lead to a downgrading of the Covered Bonds below Aaa, and in any case following any downgrade by Rating Agency of the Covered Bonds,

the percentage figure may not exceed the Asset Percentage that applied as of the last time the Covered Bonds were rated Aaa by Rating Agency's.

**“Calculation Date”** means 5 September and 5 March of each year or, in case that day is not a Business Day, the following Business Day, provided that the first Calculation Date will be 7 December 2009.

**“Collection Date”** means 31 January and 31 July of each year, starting from 31 January 2010.

**“Current Balance”** means in relation to a Public Asset, Integration Asset, Eligible Investment or Authorised Investment at any given date, the aggregate (without double counting) of the Outstanding Principal Balance, Accrued Interest and Interest Arrears relating to that Public Assets, Integration Asset, Eligible Investment or Authorised Investment as at that date.

**“Defaulted Asset”** means Receivables which have been classified by the Servicer on behalf of the Covered Bonds Guarantor as *Crediti in Sofferenza* and/or the Securities which have been classified by the Servicer on behalf of the Covered Bonds Guarantor as Defaulted Securities.

**“Defaulted Securities”** means overdue Securities in respect of which there is an outstanding exposure for a period longer than 10 (ten) consecutive days.

**“Discount Factor”** means the discount rate, implied in the relevant Swap Curve, calculated by the Servicer.

**“Earliest Maturing Covered Bonds”** means at any time the Series of the Covered Bonds that 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).

**“Eligible Portfolio”** means the aggregate of Public Assets and Integration Assets, without any double counting (including any sum standing to the credit of the Accounts (other than the Expenses Account, the Corporate Account and the Quota Capital Account), and the Eligible Investments and Authorised Investments), *excluding* (a) any Defaulted Assets and those Public Assets and Integration Assets for which a breach of the representations and warranties granted under Clause 2 (*Dichiarazioni e Garanzie del Cedente*) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the aggregate of Integration Assets in excess of the Integration Assets Limit, (c) the aggregate of Integration Assets which do not meet the Integration Assets Rating Requirements.

**“Excluded Swaps ”** means the portion of the hedging arrangements, if any, corresponding to the Public Assets and Integration Assets excluded from the Eligible Portfolio.

**“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.

**“Expected Floating Payments”** means the amount (or the Euro Equivalent amount), determined on the basis of the Swap Curve, of expected principal and interest payments from the Floating Component of the Eligible Portfolio, the expected Swap Agreements floating leg payments, or the expected interest payments on outstanding Series of floating rate Covered Bonds, as the case may be.

**“Fixed Component of the Eligible Portfolio”** means the Public Assets or Integration Assets being part of the Eligible Portfolio remunerated on the basis of a fixed rate of interest.

**“Floating Component of the Eligible Portfolio”** means the Public Assets or Integration Assets being part of the Eligible Portfolio remunerated on the basis of a floating rate of interest.

**“Guarantor Interest Period”** means the period starting from (and including) the date of transfer of the Initial Portfolio and ending on the immediately following the Guarantor Payment Date (excluded) and, thereafter, each period starting from a Guarantor Payment Date (included) and ending on the following Guarantor Payment Date (excluded).

**“Integration Assets Limit”** means the limit of 15 per cent. of the aggregate Outstanding Principal Balance of the assets comprised in the Portfolio, set forth under article 2, para. 4, of the MEF Decree, as amended and supplemented from time to time, to the integration through Integrations Assets.

**“Integration Assets Rating Requirements”** means (a) in respect of Integration Assets consisting of bank securities having a remaining maturity date of 364 days or less, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity equal to or higher than P-1 by Moody's and (b) in respect of Integration Assets consisting of deposits with bank, a rating to the short term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than P-1 by Moody's and to the long term unsecured, unguaranteed and unsubordinated debt obligations of the entity with which the demand or time deposits are made equal to or higher than Aa3 by Moody's.

**“Interest Arrears”** means in relation to any loan, bond or other asset at any date, the amount of (or the Euro Equivalent amount of) interest and expenses which are due and payable and are unpaid as of such date..

**“Interest Payments”** means, as of a Calculation Date or any other relevant date, with reference to all following Guarantor Interest Periods up to the last Maturity Date, or Extended Maturity Date, as the case may be, an amount equal to the aggregate of (a) expected interest payments (or the Euro Equivalent of the expected interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (b) Expected Floating Payments in respect of interest on floating rate Covered Bonds.

**“Negative Carry Factor”** means - 0.9370% or such other percentage which, in any case, shall be equal to the algebraic difference, if positive, between (i) (a) the WA Swap Margin paid by the Covered Bonds Guarantor to the CB Hedging Counterparty under the CB Swaps or, absent such CB Swaps, (b) the WA CB Margin or a (c) combination of (a) and (b), and (ii) the 6-Month Euribor Equivalent Margin.

**“Net Interest Collections from the Eligible Portfolio”** means, as of a Calculation Date or any other relevant date with reference to all following (x) Collection Periods, (y) Guarantor Interest Periods or (z) Guarantor Payment Dates (as the case may be), up to the last Maturity Date or Extended Maturity Date, as the case may be, an amount equal to the difference between (i) the sum of (a) interest payments (or the Euro Equivalent of the interest payments) from the Fixed Component of the Eligible Portfolio and Expected Floating Payments in respect of interest from the Floating Component of the Eligible Portfolio received or expected to be received, (b) any amount expected to be received by the Covered Bonds Guarantor as payments under the TBG Swaps (which are not Excluded Swaps), (c) any amount (or the Euro Equivalent of any amount) expected to be received by the Covered Bonds Guarantor as payments under the CB Swaps (which are not Excluded Swaps); and (ii) the payments (or the Euro Equivalent of the payments) to be effected in accordance with the relevant Priority of Payments, by the Covered Bonds Guarantor in priority to, and including, payments under the Swap Agreements (which are not Excluded Swaps). For the avoidance of doubt, items under (i) (a) above shall include interest expected to be received from the investment, into Eligible Investments and Authorised Investments, of principal collections arising from the expected amortisation of the Eligible Portfolio.

**“Net Present Value”** means, as of any date, an amount equal to the algebraic sum of the product of each relevant Discount Factor and expected payments (or the Euro Equivalent of the expected payments) to be received or to be effected.

“**Net Present Value of the Eligible Portfolio**” means at any date an amount equal to the algebraic sum of (i) the product of (a) each relevant Discount Factor and (b) expected principal and interest payments (or the Euro Equivalent of expected principal and interest payments) from the Fixed Component of the Eligible Portfolio and Expected Floating Payments in respect of principal and interest from the Floating Component of the Eligible Portfolio, (ii) the product of (c) each relevant Discount Factor and (d) expected payments to be received or to be effected by the Covered Bonds Guarantor under or in connection with the TBG Swaps and the CB Swaps (which are not Excluded Swaps), and (iii) the product of (e) each relevant Discount Factor and (f) any amount (or the Euro Equivalent of any amount) expected to be paid by the Covered Bonds Guarantor in priority to the TBG Swaps and the CB Swaps payments, in accordance with the relevant Priorities of Payments.

“**Net Present Value of the Outstanding Covered Bonds**” means at any date an amount equal to the sum of (i) the product of (a) each relevant Discount Factor and (b) expected principal and interest payments (or the Euro Equivalent of expected principal and interest payments) in respect of the outstanding Series of Covered Bonds (other than floating rate Covered Bonds) and (ii) the product of (c) each relevant Discount Factor and (d) Expected Floating Payments in respect of principal and interest on floating rate Covered Bonds.

“**OC Adjusted Eligible Portfolio**” means an amount equal to:

$$A + B + C + D + E - Z$$

where:

-  $A = PA * P$

where

PA = the Outstanding Principal Balance of Public Assets *excluding* (a) any Defaulted Assets and those Public Assets for which a breach of the representations and warranties granted under Clause 2 (*Dichiarazioni e Garanzie del Cedente*) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the Authorised Investments which are Public Assets and (c) Eligible Investments which are Public Assets;

P = Asset Percentage;

- **B** = Integration Assets *excluding* (a) any Defaulted Assets and those Integration Assets for which a breach of the representations and warranties granted under Clause 2 (*Dichiarazioni e Garanzie del Cedente*) of the Warranty and Indemnity Agreement has occurred and has not been remedied, (b) the Outstanding Principal Balance of Integration Assets in excess of the Integration Assets Limit, (c) the Integration Assets which do not meet the Integration Assets Rating Requirements.

- **C** = the Outstanding Principal Balance of Eligible Investments which are Public Assets;

- **D** = the Outstanding Principal Balance of Authorised Investments which are Public Assets;

- **E** = any sum standing to the credit of the Accounts (other than the Expense Account, the Corporate Account and the Quota Capital Account);

- **Z** = (the weighted average number of days to maturity of the outstanding Covered Bonds/365) *multiplied* by the outstanding Covered Bonds *multiplied* by **N**.

where

**N** = Negative Carry Factor.

“**Outstanding Principal Balance**” means, at any date, in relation to a loan, a bond, a Series of Covered Bonds or any other asset the aggregate nominal principal amount outstanding (or the Euro Equivalent of the aggregate nominal principal amount outstanding) of such loan, bond,



Series of Covered Bonds or asset at such date.

**“Outstanding Principal Balance of the Covered Bonds”** means the Outstanding Principal Balance of the outstanding Series of Covered Bonds.

**“Random Basis”** means any process which selects Public Assets on a basis that is not designed to favour the selection of any identifiable class or type or quality of assets from all the Public Assets forming part of the Portfolio.

**“Required Redemption Amount”** means in respect of any relevant Series of Covered Bonds, the amount calculated as follows: the Outstanding Principal Balance of the relevant Series of Covered Bonds *multiplied*  $(1 + (N \times (\text{days to maturity of the relevant Series of Covered Bonds}/365)))$ . Where “N” is the Negative Carry Factor.

**“Selected Assets”** means the Public Assets to be sold by the Covered Bonds Guarantor (through the Servicer), following the delivery of an Article 74 Notice to Pay (which has not been withdrawn), a Notice to Pay (and prior to the occurrence of any Covered Bonds Guarantor Events of Default), a Covered Bonds Guarantor Acceleration Notice or upon breach of the Pre-Maturity Liquidity Test, pursuant to the Portfolio Administration Agreement.

**“Swap Curve”** means the term structure of interest rates used by the Servicer in accordance with the best market practice and calculated based on market instruments.

**“Swap Margin”** means the positive or negative margin applied to the 6-Month Euribor paid by the Covered Bonds Guarantor with respect to the relevant CB Swap.

**“WA CB Margin”** the weighted average positive or negative margin applied to the 6-Month Euribor paid by the Issuer with respect to the Covered Bonds.

**“WA Swap Margin”** the weighted average positive or negative margin applied to the 6-Month Euribor that the Covered Bonds Guarantor will pay under the CB Swaps.

### **Pre-Maturity Liquidity Test**

The Pre-Maturity Liquidity Test (as defined below) is intended to provide liquidity for Hard Bullet Covered Bonds when the Issuer’s long-term credit ratings fall below the Pre-Maturity Liquidity Required Ratings.

On any Business Day (each the **“Pre-Maturity Liquidity Test Date”**) falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Liquidity Test has been breached, and if so, it shall immediately notify the Issuer, the Seller, the Hedging Counterparties and the Representative of Covered Bondholders.

For the purpose of this paragraph the **“Pre-Maturity Liquidity Test”** is complied with if on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer’s credit ratings are equal to, or greater than, the Pre-Maturity Liquidity Required Ratings.

**“Pre-Maturity Rating Period”** means the period of 12 months preceding the Maturity Date of any Hard Bullet Series of the Covered Bonds.

Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Covered Bonds:

- (i) the Issuer shall:
  - (a) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or

- (b) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-Maturity Liquidity Guarantor Ratings; and/or
- (c) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;

and/or

- (ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

If the Pre-Maturity Liquidity Test in respect of any Series of Covered Bonds is breached and the Issuer or the Covered Bonds Guarantor have not taken the required actions (as described above) following the breach by the earlier to occur of:

- (a) 20 Business days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test, and
- (b) the Maturity Date of that Series of Covered Bonds,

an Issuer Event of Default shall occur and the Representative of the Covered Bondholders will serve a Notice to Pay to the Covered Bonds Guarantor.

For the purposes of this section:

“**Adjusted Required Redemption Amount**” which is an amount equal to the Required Redemption Amount of the Earliest Maturing Covered Bonds *plus* or *minus* any swap termination amounts payable respectively by or to the Covered Bonds Guarantor *less* amounts standing to the credit of the Accounts (excluding the Expense Account, the Corporate Account and the Quota Capital Account and all the amounts required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds and all the amounts to be applied on the following Guarantor Payment Date to repay higher ranking amounts in the relevant Priorities of Payments) *less* the Outstanding Principal Balance of any Eligible Investments and Authorised Investments.

#### **Set-Off Risk and Claw-Back Risk**

Pursuant to the Portfolio Administration Agreement, the Servicer has undertaken, upon occurrence of an Issuer Downgrading Event or a Servicer Downgrading Event, to notify on a quarterly basis the Rating Agency of each of the Potential Set-Off Amount and the Potential Claw-Back Amount. As long as the Issuer Downgrading Event and the Servicer Downgrading Event is continuing, the Asset Percentage shall be reduced by an amount equal to the Potential Set-Off Amount and the Potential Claw-Back Amount.

“**Issuer Downgrading Event**” means the Issuer being downgraded to “P-2”, or below, by Moody’s.

“**Potential Claw-Back Amount**” means an amount, calculated by the Servicer as a percentage of the Portfolio that the Seller determines as potentially subject to claw-back.

“**Potential Set-Off Amount**” means an amount, calculated by the Servicer as a percentage of the Portfolio that the Seller determines as potentially subject to set-off by the Debtors.

“**Servicer Downgrading Event**” means the Servicer being downgraded to “Baa2”, or below, by Moody’s.

#### **Commingling Risk for loans granted in pool**

Pursuant to the Portfolio Administration Agreement, the Servicer has undertaken, upon occurrence of an ATI Agent Trigger Event, to notify the Rating Agency, the Representative of the Covered Bondholders and the Hedging Counterparties of such events and shall identify the ATI Commingling Affected Portfolio. Further to such event, and for so long as the event is continuing, if no other ATI Agent Remedy Actions has been implemented, the determination of the Asset Percentage shall be modified so as to consider the amounts which may be subject to commingling risk in case of bankruptcy of the relevant ATI Agent Bank.

For the purpose of this section:

“**ATI Agent Bank**” means, in respect of a Loan disbursed by lenders in pool (*Associazione Temporanea di Imprese or Raggruppamento Temporaneo*) the bank (other than the Issuer and the Seller) acting as agent bank for the pool on the basis of a mandate granted to it.

“**ATI Agent Remedy Actions**” means that (a) the Asset Percentage has been modified in accordance with the Portfolio Administration Agreement in order to cure an ATI Agent Trigger Event and the Tests are satisfied taking into account such amendment to the Asset Percentage, (b) a guarantee in respect of the relevant ATI Agent Bank’s obligations has been granted by an eligible entity in accordance with the provisions of the Servicing Agreement or (c) the ATI Commingling Reserve Amount has been credited to the Investment Account on the immediately preceding Guarantor Payment Date.

“**ATI Agent Trigger Event**” means any of the following event: (a) the unsecured, unguaranteed and unsubordinated debt obligations of an ATI Agent Bank are rated below Baa2 by Moody’s or (b) any amount due to be paid by an ATI Agent Bank to the Servicer or the Covered Bonds Guarantor in accordance with the relevant Loan Agreements or ancillary documents is not duly and timely paid by the relevant ATI Agent Bank.

“**ATI Commingling Affected Portfolio**” means the aggregate amount of the Loans in relation to which the relevant ATI Agent Bank has been affected by an ATI Agent Trigger Event.

“**ATI Commingling Reserve Amount**” means, on any date, an amount equal to (a) the peak of the Collections expected to be received during one of the following Collection Periods in respect of the ATI Commingling Affected Portfolio *minus* (b) the amount of the Reserve Fund Required Amount already credited (or to be credited on the relevant Guarantor Payment Date) on the Investment Account, provided that if the difference between (a) and (b) above will be a negative number the ATI Commingling Reserve Amount shall be equal to *zero*.

## ACCOUNTS AND CASH FLOWS

### ACCOUNTS

The following accounts are established and shall be maintained with the Account Bank and the Receivables Collection Account Bank as separate accounts in the name of the Covered Bonds Guarantor (together with any other account to be opened in accordance with the Cash Management and Agency Agreement, the “**Accounts**”).

The Receivables Collection Accounts shall be held with the Receivables Collection Account Bank for as long as the Receivables Account Bank maintains the Minimum Required Receivables Collection Account Bank Rating.

The Securities Collection Accounts, the Investment Account, the Securities Account, the Eligible Investments Account, the Quota Capital Account, the Expenses Account and the Corporate Account shall be held with the Account Bank for as long as the Account Bank maintains the Minimum Required Account Bank Rating.

#### **The Principal Receivables Collection Account**

Deposits. An Euro denominated current account established and maintained with Receivables Collection Account Bank into which:

- (i) by the end of the second Business Day immediately following the relevant reconciliation, any principal payment and any Interest Component of the Purchase Price received by the Servicer in relation to the Receivables will be deposited with value date as of the relevant date of receipt;
- (ii) promptly upon receipt, all principal components of the proceeds arising out of the liquidation of Receivables will be transferred with value date as of the relevant date of receipt.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Principal Receivables Collection Account will be transferred to the Investment Account by the Receivables Collection Account Bank.

(the “**Principal Receivables Collection Account**”).

#### **The Interest Receivables Collection Account**

Deposits. An Euro denominated current account established and maintained with Receivables Collection Account Bank into which:

- (i) by the end of the second Business Day immediately following the relevant reconciliation, any interest payment (other than the Interest Component of the Purchase Price) received by the Servicer in relation to the Receivables will be deposited with value date as of the relevant date of receipt;
- (ii) promptly upon receipt, all proceeds (net of any principal component thereof) arising out of the liquidation of Receivables will be transferred with value date as of the relevant date of receipt.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Interest Receivables Collection Account will be transferred to the Investment Account by the Receivables Collection Account Bank.

(the “**Interest Receivables Collection Account**” and together with the Principal Receivables Collection Account, the “**Receivables Collection Accounts**”).

#### **The Principal Securities Collection Account**

Deposits. An Euro denominated current account established and maintained with the Account Bank into which:

- (i) on a daily basis, any principal payment and any Interest Component of the Purchase Price received in relation to the Securities will be deposited.

- (ii) promptly upon receipt, all principal components of the proceeds arising out of the liquidation of Securities (other than the Eligible Investments and the Authorised Investments) will be transferred.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Principal Securities Collection Account will be transferred to the Investment Account by the Account Bank.

(the “**Principal Securities Collection Account**”).

#### **The Interest Securities Collection Account**

Deposits. An Euro denominated current account established and maintained with the Account Bank into which:

- (i) on a daily basis, any interest payment (other than the Interest Component of the Purchase Price) in relation to the Securities will be deposited.
- (ii) promptly upon receipt, all proceeds (net of any principal component thereof) arising out of the liquidation of Securities (other than the Eligible Investments and the Authorised Investments) will be transferred.

Withdrawals. On a daily basis by the end of the relevant day of receipt, any amount standing to the credit of the Interest Securities Collection Account will be transferred to the Investment Account by the Account Bank.

(the “**Interest Securities Collection Account**” and together with the Principal Securities Collection Account, the “**Securities Collection Accounts**”).

#### **The Investment Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) the Receivables Collection Account Bank shall transfer by the end of the relevant day of receipt (a) any amount standing to the credit of the Receivables Collection Accounts and (b) any amount standing to the credit of the Securities Collection Accounts;
- (ii) by the end of the relevant day of receipt the Account Bank shall transfer (a) the funds resulting from the reimbursement or liquidation of all Eligible Investments and Authorised Investments; (b) any amount to be credited to the Investment Account in accordance with the relevant Priority of Payments (including any CB Swaps Accumulation Amount, the Reserve Fund Required Amount, the ATI Commingling Reserve Amount and the Interest Accumulation Amount); and (c) any amount (if any) standing to the credit of the Transaction Account, after distribution in accordance with the applicable Priorities of Payments or payments due on the relevant CB Payment Dates.

Withdrawals:

- (i) within 2 Business Days prior to each Guarantor Payment Date, any amount standing to the credit of the Investment Account (other than the CB Swaps Accumulation Amount and the Interest Accumulation Amount) shall be transferred to the Transaction Account.
- (ii) 2 Business Days prior to each CB Payment Date, any amount to be paid under the CB Swaps on such CB Payment Date shall be transferred to the Transaction Account.
- (iii) 2 Business Days prior to each CB Payment Date, the Interest Accumulation Amount shall be transferred to the Transaction Account.
- (iv) 2 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, any amount to be paid under the Covered Bonds on such CB Payment Date shall be transferred to the Transaction Account.
- (v) 10 Business Days after the Initial Issue Date an amount equal to Euro 150,000.00 shall be transferred to the Corporate Account and an amount equal to Euro 120,000.00 shall be transferred to the Expenses Account.

(the “**Investment Account**”).

#### **The Securities Account**

*Deposits.* An Euro-denominated current account established and maintained with the Account Bank into which the Account Bank, pursuant to any order of the Cash Manager or the Covered Bonds Guarantor, will deposit and keep the Public Assets and Integration Assets consisting of securities (other than the Eligible Investments and the Authorised Investments).

*Withdrawals.* All the Public Assets and Integration Assets consisting of securities (other than the Eligible Investments and the Authorised Investments) will be liquidated in accordance with the provisions of the Portfolio Administration Agreement and proceeds credited to the Investment Account by the Cash Manager.

(the “**Securities Account**”).

#### **The Eligible Investment Account**

*Deposits.* An Euro-denominated current account established and maintained with the Account Bank into which the Account Bank, pursuant to any order of the Cash Manager, will deposit all securities constituting Eligible Investments and Authorised Investments purchased by the Cash Manager on behalf of the Covered Bonds Guarantor with the amounts standing to the credit of the Investment Account.

*Withdrawals.* Within 3 Business Days prior to each Guarantor Payment, all the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated and proceeds credited to the Investments Account by the Account Bank.

Within 3 Business Days prior to each CB Payment Date falling prior to the occurrence of an Issuer Event of Default or an Article 74 Event, the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated for an amount equal to the CB Swap Accumulation Amount or Interest Accumulation Amount, as the case may be, and proceeds credited to the Investments Account by the Account Bank

Within 3 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, all the Authorised Investments and Eligible Investments standing to the credit of the Eligible Investments Account will be liquidated and proceeds credited to the Investments Account by the Account Bank

(the “**Eligible Investments Account**”).

#### **The Quota Capital Account**

*Deposits.* An Euro-denominated current account established and maintained with the Account Bank into which all the sums contributed by the quotaholders of the Covered Bonds Guarantor as quota capital have been credited and all interest accrued thereon will be credited.

(the “**Quota Capital Account**”).

#### **The Expenses Account**

*Deposits.* An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) 10 Business Days after the Initial Issue Date an amount equal to Euro 120,000.00 will be credited;
- (ii) on each Guarantor Payment Date, an amount equal to the Covered Bonds Guarantor Disbursement Amount will be credited.

*Withdrawals.* The general expenses (other than the Expenses) due and payable at any time within each Guarantor Interest Period will be paid with the monies standing to the credit of the Expenses Account.

(the “**Expenses Account**”)

### **The Corporate Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) 10 Business Days after the Initial Issue Date an amount equal to Euro 150,000.00 will be credited;
- (ii) on each Guarantor Payment Date, an amount equal to the Covered Bonds Guarantor Retention Amount will be credited.

Withdrawals. The Expenses due and payable at any time within each Guarantor Interest Period will be paid with the monies standing to the credit of the Corporate Account.

(the “**Corporate Account**”)

### **The Transaction Account**

Deposits. An Euro-denominated current account established and maintained with the Account Bank into which:

- (i) 2 Business Days prior to each Guarantor Payment Date, (a) any amount standing to the credit of the Investments Account (other than the CB Swaps Accumulation Amount and the Interest Accumulation Amount) shall be transferred and (b) any amounts to be paid by the Hedging Counterparty under the TBG Swaps will be credited.
- (ii) 2 Business Days prior to each CB Payment Date (a) any amount to be paid under the CB Swaps on such CB Payment Date and deposited on the Investment Account shall be transferred and (b) the amounts to be paid by the CB Hedging Counterparty under the CB Swaps will be credited.
- (iii) 2 Business Days prior to each CB Payment Date any Interest Accumulation Amount deposited on the Investment Account shall be transferred.
- (iv) 2 Business Days prior to each CB Payment Date falling after the occurrence of an Issuer Event of Default or an Article 74 Event, any amount to be paid under the Covered Bonds on such CB Payment Date shall be transferred from the Investment Account.
- (v) Any drawdown under the Subordinated Loan Agreement will be credited.

Withdrawals:

- (i) on each Guarantor Payment Date, the Cash Manager will execute payments or credit the relevant amounts in accordance with the relevant Priorities of Payments (including the purchase price of Public Assets and Integration Assets funded through Available Funds).
- (ii) on each CB Payment Date the Cash Manager will execute payments under the CB Swaps.
- (iii) 1 Business Day prior to each CB Payment Date falling after an Issuer Event of Default or an Article 74 Event or a Covered Bonds Guarantor Event of Default, the Cash Manager will transfer to the Paying Agent the amounts necessary to execute payments of interests and principal due in relation to the outstanding Covered Bonds in accordance with the Post-Issuer Defaults Priority of Payments.
- (iv) 2 Business Days following the relevant CB Payment Date, any amount in excess, after payments of the amounts mentioned above, will be transferred to the Investment Account by the Cash Manager.
- (v) The Cash Manager will execute payments for the purchase of any Public Assets and Integration Assets funded through the Subordinated Loan in accordance with the provisions of the Master Transfer Agreement.

(the “**Transaction Account**”).

For the purposes of this section:

“**CB Swaps Interest Accumulation Amount**” means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with CB Payments Dates falling during the immediately following Guarantor Interest Period, an amount equal to the Due for Payment CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation, or (b) in case no CB Payment Dates are falling during the immediately following Guarantor Interest Period, an amount equal to the CB Swap Floating Rate Amount as provided under the relevant CB Swap confirmation.

“**CB Swaps Principal Accumulation Amount**” means, in relation to any Guarantor Payment Date, (a) for a Series of Covered Bonds with a Maturity Date falling during the immediately following Guarantor Interest Period, an amount equal to the principal amount due under the relevant CB Swap confirmation, or (b) for a Series of Covered Bonds with a Maturity Date not falling during the immediately following Guarantor Interest Period, an amount equal to zero.

“**CB Swaps Accumulation Amount**” means the CB Swaps Interest Accumulation Amount and/or CB Swaps Principal Accumulation Amount.

“**CB Swap Floating Rate Amount**” means the amount to be accumulated by the Covered Bonds Guarantor on each relevant Guarantor Payment Date and shall be equal to the product of (i) the Euribor paid to the Covered Bonds Guarantor under the TBG Swaps in relation to the relevant Guarantor Payment Date, *plus/minus* a spread (if any) as set in the relevant CB Swap confirmation, (ii) the Notional Amount of the relevant CB Swap and (iii) the Day Count Fraction, calculated for the relevant CB Swap calculation period as set in the relevant CB Swap confirmation.

“**Covered Bonds Guarantor Disbursement Amount**” means on each Guarantor Payment Date the difference between: (i) Euro 100,000.00 and (ii) any amount standing to the credit of the Expenses Account on the Calculation Date immediately preceding such Guarantor Payment Date.

“**Covered Bonds Guarantor Retention Amount**” means on each Guarantor Payment Date the difference between: (i) Euro 150,000.00 and (ii) any amount standing to the credit of the Corporate Account on the Calculation Date immediately preceding such Guarantor Payment Date.

“**Due for Payment CB Swap Floating Rate Amount**” means the amount to be paid by the Covered Bonds Guarantor to the CB Hedging Counterparty on a CB Payment Date under the relevant CB Swap and shall be equal to:

- in relation to a Series of Covered Bonds with annual CB Payment Dates, the aggregate of the CB Swap Floating Rate Amounts relating to two immediately preceding CB Swap calculation periods, and
- in relation to a Series of Covered Bonds with semi-annual CB Payment Dates, the CB Swap Floating Rate Amount relating to the preceding CB Swap calculation period.

“**Expenses**” means any Covered Bonds Guarantor’s documented fees, costs, expenses and taxes to maintain it in good standing, to comply with applicable legislation and any obligation and to preserve its corporate existence.



**“Interest Accumulation Amount”** means an amount equal to the interest amounts due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into.

**“Interest Component of the Purchase Price”** means, in respect of each Public Assets or Integration Assets, the amount of interests which were considered, from time to time, in order to calculate the relevant purchase price in accordance with the Master Transfer Agreement.

**“Investors Report Date”** means 10 Business Days following each Guarantor Payment Date.

**“Minimum Required Account Bank Rating”** means the long term rating required by the Rating Agency with reference to the entity which acts in its capacity as Account Bank and which is at least equal to "A1" from the Rating Agency.

**“Minimum Required Paying Agent Rating”** means the long term rating required by the Rating Agency with reference to the entity which acts in its capacity as Paying Agent and which is at least equal to "A1" from the Rating Agency

**“Minimum Required Receivables Collection Account Bank Rating”** means the long term rating required by the Rating Agency with reference to the entity which acts in its capacity as Receivables Collection Account Bank (or any institution guaranteeing its obligation on the basis of a guarantee satisfying Rating Agency’s criteria) and which is at least equal to "A1" from the Rating Agency.

**“Minimum Required Ratings”** means, in respect of the Receivables Collection Account Bank, Cash Manager, the Account Bank and the Paying Agent, respectively the Minimum Required Receivables Collection Account Bank Ratings, the Minimum Required Account Bank Ratings and the Minimum Required Paying Agent Ratings.

**“Reserve Fund Required Amount”** means an amount equal to (a) if a Servicer Downgrading Event has occurred and is continuing, the peak of the Collections expected to be received during the following Collection Periods, and (b) if an Issuer Downgrading Event has occurred and is continuing, the aggregate of items (i), (ii), (iii) and (iv) of the Pre-Issuer Default Interest Priority of Payments expected to be paid on the immediately following Guarantor Payment Date, and (c) if both a Servicer Downgrading Event and an Issuer Downgrading Event have occurred and are continuing, the higher of (a) and (b) above.

**“Swap Collateral”** means the collateral which may be transferred by any Hedging Counterparty to the Covered Bonds Guarantor in support of its obligations under the Swap Agreements.

## CASH FLOWS

This section summarises the cashflows of the Covered Bonds 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 Covered Bonds Guarantor Event of Default, (b) following an Issuer Event of Default but prior to a Covered Bonds Guarantor Event of Default and (c) following a Covered Bonds Guarantor Event of Default.

### Pre-Issuer Default Interest Priority of Payment

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Interest Available Funds (as defined below) to make payments and

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

- (i) *first*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any and all taxes due and payable by the Covered Bonds Guarantor;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Covered Bonds 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 and any obligation (the "**Expenses**"), to the extent that such costs and expenses are not met by utilising any amounts standing to the credit of the Expenses Account and/or the Corporate Account on the Guarantor Payment Date falling in March and September of each year and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable (including fees, costs and expenses) to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor, the Portfolio Manager and the Servicer;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;
- (v) *fifth*, if a Reserve Fund Rating Event occurs and is continuing, to credit to the Investment Account an amount equal to the Reserve Fund Required Amount;
- (vi) *sixth*, if an ATI Agent Trigger Event occurs and is continuing and no other ATI Agent Remedy Actions has been implemented, to credit to the Investment Account an amount equal to the ATI Commingling Reserve Amount;
- (vii) *seventh*, to credit to the Principal Receivables Collection Account an amount equal to the amounts paid under item (i) of the Pre-Issuer Default Principal Priority of Payment on any preceding Guarantor Payment Date and not yet repaid under this item (vii);
- (viii) *eighth*, if a Servicer Termination Event has occurred, to credit all remaining Interest Available Funds to the Investment Account until such Servicer Termination Event is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (ix) *ninth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Interest Available Funds to the Investment Account until the following Guarantor Payment Date;

- (x) *tenth*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (iv) above;
- (xi) *eleventh*, to pay, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (xii) *twelfth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof any amount due and payable as Minimum Interest Amount under the Subordinated Loan;
- (xiii) *thirteenth*, to pay any Premium Interest Amount under the Subordinated Loan.

#### **Pre-Issuer Default Principal Priority of Payment**

On each Guarantor Payment Date, prior to the service of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), the Covered Bonds Guarantor will use Principal Available Funds (as defined below) to make payments and provisions in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay any amount due and payable under items (i) to (iv) of the Pre-Issuer Default Interest Priority of Payment, to the extent that the Interest Available Funds are not sufficient, on such Guarantor Payment Date, to make such payments in full;
- (ii) *second, pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the TBG Swaps and (b) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payment under the CB Swaps after the relevant Guarantor Payment Date;
- (iii) *third*, if the Pre-Maturity Liquidity Test is satisfied, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, the purchase price of the Public Assets and/or Integration Assets offered for sale by the Seller, the Additional Sellers (if any) or the Issuer in the context of Revolving Assignment in accordance with the provisions of the Master Transfer Agreement;
- (iv) *fourth*, to deposit on the Investment Account any residual Principal Available Funds in an amount sufficient to ensure that taking into account the other resources available to the Covered Bonds Guarantor, the Tests are met;
- (v) *fifth*, if a Servicer Termination Event has occurred, all residual Principal Available Funds to be credited to the Investment Account until such event of default of the Servicer is either remedied by the Servicer or waived by the Representative of the Covered Bondholders or a new servicer is appointed to service the Portfolio (or the relevant part thereof);
- (vi) *sixth*, if the Pre-Maturity Liquidity Test or the Tests are not satisfied on the Calculation Date immediately preceding the relevant Guarantor Payment Date or an Issuer Event of Default or a Covered Bonds Guarantor Event of Default has occurred on or prior such Guarantor Payment Date or the Issuer has not paid interest and principal due on the CB Payment Dates in the immediately previous Guarantor Interest Period, to credit all remaining Principal Available Funds to the Investment Account until the following Guarantor Payment Date;
- (vii) *seventh*, to pay any amount arising out of any termination event under any Swap Agreements not provided for under item (ii) above;

- (viii) *eight*, to pay any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement) not already provided for under item (xi) of the Pre-Issuer Default Interest Priority of Payment;
- (ix) *ninth*, to pay the amount (if any) due to the Seller as principal redemption under the Subordinated Loan (including as a consequence of “*richiesta di rimborso anticipato*” as indicated therein) provided that the Tests and the Pre-Maturity Liquidity Test are still satisfied after such payment.

### **Post-Issuer Default Priority of Payments**

On each Guarantor Payment Date, following either an Article 74 Notice to Pay (which has not been withdrawn) or an Issuer Event of Default, but prior to the occurrence of a Covered Bonds Guarantor Events of Default, the Covered Bonds Guarantor will use the Available Funds, to make payments and provisions in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes, in order to preserve its corporate existence, to maintain it in good standing and to comply with applicable legislation;
- (ii) *second*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any amount due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Administrative Services Provider, the Calculation Agent, the Asset Monitor, the Portfolio Manager and the Servicer and on each Guarantor Payment Date and (b) to credit the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Interest Accumulation Amount to be used for Hedging Senior Payments, other than in respect of principal, under the CB Swaps after the relevant Guarantor Payment Date and (c) to credit to the Investment Account an amount equal to the Interest Accumulation Amount, to be used for any interest payment due on the CB Payment Dates falling during the immediately following Guarantor Interest Period, in respect of any Series of Covered Bonds in relation to which no CB Swaps have been entered into;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to the extent that Series of Covered Bonds to which an Extended Maturity Date does not apply (or currently apply) are outstanding, to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps and (b) in respect of each Series of Covered Bonds to which an Extended Maturity Date does not apply (or currently apply), *pari passu* and *pro rata* according to the respective amounts thereof:
  - (A) to pay any amount in respect of principal due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Investment Account any amount in respect of principal to be paid on each CB Payment Dates falling during the next following Guarantor Interest Period;

- (B) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the next following Guarantor Interest Period;
- (v) *fifth, pari passu and pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps and (b) in respect of each Series of Covered Bonds to which an Extended Maturity Date applies and whose Final Redemption Amount was not paid in full on the Maturity Date *pari passu and pro rata* according to the respective amounts thereof:
  - (A) to pay any amount in respect of principal due and payable on each Series of Covered Bonds on each CB Payment Date falling on such Guarantor Payment Date or to credit to the Investment Account any amount in respect of principal to be paid on each CB Payment Dates falling during the next following Guarantor Interest Period;
  - (B) to pay any Hedging Senior Payment, in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps or to credit to the Investment Account an amount equal to the CB Swaps Principal Accumulation Amount to be used for Hedging Senior Payments under the CB Swaps during the next following Guarantor Interest Period;
- (vi) *sixth*, to deposit on the Investment Account any residual amount 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;
- (vii) *seventh*, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreement not provided for under items (iii), (iv) and (v) above;
- (viii) *eighth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu and pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (ix) *ninth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the *Subordinated Loan*;
- (x) *tenth*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amount due as principal under the Subordinated Loan;
- (xi) *eleventh*, to the extent that all the Covered Bonds issued under any Series have been repaid in full or an amount equal to the Required Redemption Amount for each Series of Covered Bonds outstanding has been accumulated, to pay, *pari passu and pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

### **Post-Guarantor Default Priority of Payments**

On each Guarantor Payment Date, following a Covered Bonds Guarantor Events of Default, the Representative of the Covered Bondholders (or a receiver appointed on its behalf) will use the Available Funds, to make payments in the order of priority set out below (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses and taxes;
- (ii) *second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due and payable to the Representative of the Covered Bondholders, the Receivables Collection Account Bank, the Account Bank, the Cash Manager, the Calculation Agent, the Administrative Services Provider, the Asset Monitor and the Servicer and to credit an amount up to the Covered Bonds Guarantor Disbursement Amount into the Expenses Account and the Covered Bonds Guarantor Retention Amount into the Corporate Account;
- (iii) *third*, *pari passu* and *pro rata* according to the respective amounts thereof (a) to pay any Hedging Senior Payment, other than in respect of principal, due and payable on such Guarantor Payment Date, under the TBG Swaps, and (b) to pay any amount, other than in respect of principal, due and payable on each Series of Covered Bonds and (c) to pay any Hedging Senior Payments, other than in respect of principal, due and payable on such Guarantor Payment Date under the CB Swaps;
- (iv) *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (a) to pay any Hedging Senior Payment in respect of principal due and payable on such Guarantor Payment Date, under the TBG Swaps, (b) to pay any amount in respect of principal due and payable under each Series of Covered Bonds on such Guarantor Payment Date and (c) to pay any Hedging Senior Payments in respect of principal due and payable on such Guarantor Payment Date under the CB Swaps;
- (v) *fifth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount arising out of any termination event under any Swap Agreements not provided for under items (iii) and (iv) above;
- (vi) *sixth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any other amount due and payable to the Seller, the Additional Sellers (if any) or the Issuer under any Transaction Document (other than the Subordinated Loan Agreement);
- (vii) *seventh*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Minimum Interest Amount under the Subordinated Loan;
- (viii) *eighth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amounts due as principal under the Subordinated Loan;
- (ix) *ninth*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any amount due as Premium Interest Amount under the Subordinated Loan.

## **USE OF PROCEEDS**

The net proceeds to the Issuer from the issue of each Series of Covered Bonds will be used by Intesa Sanpaolo Group for general funding purposes.

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

### Master Transfer Agreement

Pursuant to a master transfer agreement entered into on May 20, 2009 (the “**Master Transfer Agreement**”), the Seller assigned and transferred the Initial Portfolio to the Covered Bonds Guarantor, without recourse (pro soluto), in accordance with Law 130. Pursuant to the Master Transfer Agreement, the Covered Bonds Guarantor has agreed to pay the Seller a purchase price of Euro 3,790,358,323.04. Furthermore, the Seller and the Covered Bonds Guarantor agreed that the Seller may assign and transfer Public Assets and/or Integration Assets to the Covered Bonds Guarantor from time to time, on a revolving basis, in the cases and subject to the limits for the transfer of further Public Assets and/or Integration Assets.

#### *Further Assignments*

For the assignment of each New Portfolio, the Covered Bonds Guarantor shall pay the Seller an amount equal to the sum of the individual price of each Receivable and Security of all the Receivables or Securities in such New Portfolio, to be calculated in accordance with the provisions set forth under the Master Transfer Agreement.

The Receivables comprised in each New Portfolio shall comply with the General Criteria (if applicable in relation to the relevant issuance, the Specific Criteria) on the relevant Evaluation Date. Each Portfolio may be composed by Integration Assets provided that the total amount of such Integration Assets does not exceed the Integration Assets Limit.

The Further Assignments shall be aimed at:

- (a) issuing further Covered Bonds funded by means of amounts drawn under the Subordinated Loan, (the “**Issuance Collateralisation Assignment**”); or
- (b) investing principal Collections by means of purchasing further Public Assets using the principal collections received by the Covered Bonds Guarantor in relation to the Public Assets and Integration Assets which are part of the Portfolio and in accordance with the relevant Priorities of Payments (the “**Revolving Assignment**”); or
- (c) complying with the Tests, and preventing the breach of the Tests, in accordance with the Portfolio Administration Agreement (the “**Integration Assignment**”), subject to the Integration Assets Limits.

The obligation of the Covered Bonds Guarantor to purchase any New Portfolio shall be conditional upon, *inter alia*, (a) the existence of Principal Available Funds with reference to the Pre-Issuer Default Principal Priority of Payments for the carrying out of the Revolving Assignments, and (b) the funding of the requested amounts under the relevant Subordinated Loan for the carrying out of Issuance Collateralisation Assignments or Integration Assignments;

The obligation of the Covered Bonds Guarantor to purchase any New Portfolio shall be also subject to certain conditions subsequent set out in the Master Transfer Agreement.

#### *Criteria*

Each of the Receivables forming part of the Portfolio shall comply with all the General Criteria and to the applicable Specific Criteria.

#### *Price Adjustments*

The Master Transfer Agreement provides a price adjustment mechanism pursuant to which:

- (i) if, following the relevant Evaluation Date, any Receivable which is part of the Portfolio does not meet the Criteria, then such Receivable will be deemed not to have been assigned and transferred to the Covered Bonds Guarantor pursuant to the Master Transfer Agreement;



- (ii) if, following the relevant Evaluation Date, any Receivable which meets the Criteria but it is not part of the Portfolio, then such Receivable shall be deemed to have been assigned and transferred to the Covered Bonds Guarantor with economic effects as of the Evaluation Date of the relevant Portfolio, pursuant to the Master Transfer Agreement.

#### *Repurchase of Receivables and Pre-emption right*

The Seller is granted an option right, pursuant to Article 1331 of Italian Civil Code, to repurchase Receivables or Securities individually or in block, also in different tranches. In order to exercise the option right, the Seller is required to pay the Covered Bonds Guarantor an amount to be calculated in accordance with the provisions set forth under the Master Transfer Agreement. The exercise of the option right shall be conditional upon, *inter alia*, (a) the verification by the Calculation Agent, and the confirmation of the Seller, that the exercise of such right shall not cause the breach of the Tests and (b) the absence of the Issuer Events of Default set forth under Condition 12(c) (*Issuer Event of Default*) point (iii) (*Insolvency*).

The Seller is granted a pre-emption right to repurchase Receivables or Securities to be sold by the Covered Bonds Guarantor to third parties, at the same terms and conditions provided for such third parties. Such pre-emption rights shall cease should the Seller be submitted to any of the procedures set forth in Title V of the Banking Law.

#### *Termination of the Covered Bonds Guarantor's obligation to purchase and termination of the agreement*

Pursuant to the Master Transfer Agreement, the obligation of the Covered Bonds Guarantor to purchase New Portfolios shall terminate upon the occurrence of any of the following: (i) a breach of the undertakings and duties assumed by the Seller pursuant to the Transaction Documents, in the event such breach is not cured within the period specified in the Master Transfer Agreement, or it is otherwise not curable; (ii) a breach of the Seller's representations and warranties given in any of the Transaction Documents; (iii) a Seller's material adverse change; (iv) an event which is negatively affecting the corporate and financial situation of the Seller (*inter alia*, enforcement against the Sellers' assets, winding-up of the Seller, opening of a bankruptcy or insolvency proceeding); (v) a change of control of the Seller and consequent exit from the Intesa Sanpaolo Group; (vi) a change in law and regulations following to which the issue of Covered Bonds is impossible or less convenient, both from an economic and commercial point of view, for the parties; (vii) the Seller being notified of the commencement of a judicial proceeding which may reasonably cause the occurrence of a material adverse change of the Seller; (viii) the occurrence of an Issuer Event of Default notified by the Representative of the Covered Bondholders both to the Issuer and the Covered Bonds Guarantor. Further to the occurrence of an event described above, the Covered Bonds Guarantor shall no longer be obliged to purchase New Portfolios.

#### *Undertakings*

The Master Transfer Agreement also contains a number of undertakings by the Seller in respect of its activities in relation to the Receivables or Securities. The Seller has undertaken, *inter alia*, to refrain from carrying out activities with respect to the Receivables or Securities which may prejudice the validity or recoverability of any Receivable or Security and in particular not to assign or transfer the Receivables or Securities to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables or Securities. The Seller also has undertaken to refrain from any action which could cause any of the Receivable or Security to become invalid or to cause a reduction in the amount of any of the Receivable or Security or the Guarantee. The Master Transfer Agreement also provides that the Seller shall waive any set off rights in respect of the Receivables or Securities, and cooperate actively with the Covered Bonds Guarantor in any activity concerning the Receivables or Securities.

### Main Definitions

For the purposes of the Master Transfer Agreement:

“**Evaluation Date**” means: (i) in respect of the Initial Portfolio May 1, 2009 and (ii) in respect of any New Portfolio, the first calendar day of any month indicated in the relevant offer for New Portfolios.

“**New Portfolio**” means any portfolio composed of Public Assets and/or Integration Assets which the Seller will assign to the Covered Bonds Guarantor in accordance with the Master Transfer Agreement subsequent to the sale of the Initial Portfolio.

#### *Governing Law*

The Master Transfer Agreement is governed by Italian Law.

### **Warranty and Indemnity Agreement**

On May 20, 2009, the Seller and the Covered Bonds Guarantor entered into a warranty and indemnity agreement (the “**Warranty and Indemnity Agreement**”), pursuant to which the Seller made certain representations and warranties to the Covered Bonds Guarantor.

Specifically, as of the date of execution of the Transfer Agreement and as of each Issue Date, the Seller has given and will give to the Covered Bonds Guarantor, *inter alia*, representation and warranties about: (i) its status and powers, (ii) the information and the documents provided to the Covered Bonds Guarantor, (iii) its legal title on the Receivables or Securities, (iv) the status of the Receivables or Securities, (v) the terms and conditions of the Receivables or Securities.

Pursuant to the Warranty and Indemnity Agreement, the Seller has undertaken to fully and promptly indemnify and hold harmless the Covered Bonds Guarantor and its officers, directors and agents (each, an “**Indemnified Person**”), from and against any and all damages, losses, claims, liabilities, costs and expenses (including, without limitation, reasonable attorney’s fees and disbursements and any value added tax and other tax thereon as well as any claim for damages by third parties) awarded against, or incurred by, any of them, arising from any representations and/or warranties made by the Seller under the Warranty and Indemnity Agreement, and certain representations and/or warranties made by the Seller under the Master Transfer Agreement, being materially false, incomplete or incorrect and/or failure by the Seller to perform any of the obligations and undertakings assumed by the Seller.

Without prejudice of the foregoing, the Seller has further undertaken that, if any Receivable does not exist, in whole or in part, (including where such non existence is based only on a judicial pronouncement that is not definitive), the Seller shall immediately pay the Covered Bonds Guarantor any damage, costs, expenses incurred by the Covered Bonds Guarantor. In the event that, thereafter, any definitive judicial pronouncement recognises that such Receivable exists, the Covered Bonds Guarantor shall repay the amounts mentioned above received by the Seller on the immediately subsequent Guarantor Payment Date, in accordance with the relevant Priorities of Payments.

#### *Governing Law*

The Warranty and Indemnity Agreement is governed by Italian Law.

### **Subordinated Loan Agreement**

On May 20, 2009, the Seller and the Covered Bonds Guarantor entered into a subordinated loan agreement (the “**Subordinated Loan Agreement**”), pursuant to which the Seller granted the Covered Bonds Guarantor a subordinated loan (the “**Subordinated Loan**”) with a maximum amount equal to Euro 10,000,000,000 or such other amount which will be notified by the Seller as subordinated loan provider, to the Covered Bonds Guarantor in accordance with the terms of

the Subordinated Loan Agreement (the “**Maximum Amount**”), as amended from time to time. Under the provisions of such agreement, upon the relevant disbursement notice being filed by the Covered Bonds Guarantor, the Seller shall make advances to the Covered Bonds Guarantor in amounts equal to the relevant price of the New Portfolios transferred from time to time to the Covered Bonds Guarantor in order to carrying out (a) Issuance Collateralisation Assignment or (b) Integration Assignment.

The Covered Bonds Guarantor shall pay any amounts due under the Subordinated Loan in accordance with the relevant Priorities of Payments. The Subordinated Loan shall be remunerated by way of a

(a) the Minimum Interest Amount, and

(b) the Premium Interest Amount.

(the “**Subordinated Loan Interest Amount**”).

#### Main Definitions

For the purposes of the Subordinated Loan Agreement:

“**Minimum Interest Amount**” means 0.50% per annum.

“**Premium Interest Amount**” means:

(a) prior to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:

(i) (+) the amount of Interest Available Funds;

(ii) (-) the sum of any amount paid under items from (i) to (xii) of the Pre-Issuer Default Interest Priority of Payment

or

(b) following to the occurrence of an Issuer Event of Default, an amount equal to the algebraic sum of:

(i) (+) the amount of Available Funds;

(ii) (-) the sum of any amount paid under items from under items (i) to (x) of the Post-Issuer Default Priority of Payments.

or

(c) following the occurrence of a Covered Bonds Guarantor Event of Default an amount equal to the algebraic sum of:

(i) (+) the amount of Available Funds;

(ii) (-) the sum of any amount paid under items from under items (i) to (viii) of the Post-Guarantor Default Priority of Payments.

#### *Governing Law*

The Subordinated Loan Agreement is governed by Italian law.

#### **Covered Bonds Guarantee**

On or about the Initial Issue Date the Covered Bonds Guarantor issued a guarantee securing the payment obligations of the Issuer under the Covered Bonds (the “**Covered Bonds Guarantee**”), in accordance with the provisions of Law 130 and of the MEF Decree.

Under the terms of the Covered Bonds Guarantee, if the Issuer defaults in the payment on the due date (subject to any applicable grace periods) of any moneys due and payable under or pursuant to the Covered Bonds, or if any other Issuer Event of Default or an Article 74 Event

occurs, the Covered Bonds Guarantor has agreed (subject as described below) to pay, or procure to be paid, following service by the Representative of the Covered Bondholders of the Notice to Pay or an Article 74 Notice to Pay (which has not been withdrawn), unconditionally and irrevocably to or to the order of the Representative of the Covered Bondholders (for the benefit of the Covered Bondholders), any amounts due under the Covered Bonds as and when the same were originally due for payment by the Issuer, as of any Maturity Date or, if applicable, Extended Maturity Date by the Issuer.

Pursuant to Article 7-bis, paragraph 1, of Law 130 and Article 4 of the MEF Decree, the guarantee provided under the Covered Bonds Guarantee is a first demand (*a prima richiesta*), unconditional, irrevocable (*irrevocabile*) and independent guarantee (*garanzia autonoma*) and therefore provides for direct and independent obligations of the Covered Bonds Guarantor *vis-à-vis* the Covered Bondholders and with limited recourse to the Available Funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer. The provisions of the Italian Civil Code relating to *fideiussione* set forth in articles 1939 (*Validità della fideiussione*), 1941, paragraph 1 (*Limiti della fideiussione*), 1944, paragraph 2 (*Escussione preventiva*), 1945 (*Eccezioni opponibili dal fideiussore*), 1955 (*Liberazione del fideiussore per fatto del creditore*), 1956 (*Liberazione del fideiussore per obbligazione futura*) and 1957 (*Scadenza dell'obbligazione principale*) shall not apply to the Covered Bonds Guarantee.

Following the occurrence of an Article 74 Event or an Issuer Event of Default and the service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay, the Covered Bonds Guarantor shall pay or procure to be paid on the relevant Scheduled Due for Payment Date to the Covered Bondholders an amount equal to those Guaranteed Amounts which shall become due for payment in accordance with the relevant Conditions, but which have not been paid by the Issuer to the relevant Covered Bondholder on the relevant Scheduled Payment Date

Following the occurrence of a Covered Bonds Guarantor Event of Default and the service by the Representative of the Covered Bondholders, of a Covered Bonds Guarantor Acceleration Notice in respect of all Covered Bonds, which shall become immediately due and repayable, the Covered Bonds Guarantor shall pay or procure to be paid on the Due for Payment Date to the Covered Bondholders, the Guaranteed Amounts for all outstanding Covered Bonds.

Following service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of a Covered Bonds Guarantor Event of Default, payment by the Covered Bonds Guarantor of the Guaranteed Amounts pursuant to this Covered Bonds Guarantee will be made, subject to and in accordance with the Post-Issuer Default Priority of Payments, on the relevant Scheduled Due for Payment Date, provided that, if an Extended Maturity Date is envisaged under the relevant Final Terms and actually applied, any amount representing the Final Redemption Amount due and remaining unpaid on the Maturity Date may be paid by the Covered Bonds Guarantor on any Scheduled Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. In addition, to the extent that the Covered Bonds Guarantor has insufficient moneys available after payment of higher ranking amounts and taking into account amounts ranking *pari passu* therewith in the relevant Priorities of Payments, the Covered Bonds Guarantor shall make partial payments of the Guaranteed Amounts in accordance with the Post-Issuer Default Priority of Payments.

Following service of a Covered Bonds Guarantor Acceleration Notice all Covered Bonds will accelerate, in accordance with the Conditions, against the Covered Bonds Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves and the Available Funds shall be applied in accordance with the Post-Guarantor Default Priority of Payment.

All payments of Guaranteed Amounts by or on behalf of the Covered Bonds Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges are required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is

required, the Covered Bonds Guarantor will pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Covered Bonds Guarantor will not be obliged to pay any amount to any Covered Bondholder in respect of the amount of such withholding or deduction.

#### *Exercise of rights*

Following the occurrence of an Article 74 Event and service of an Article 74 Notice to Pay (which has not been withdrawn) on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, the Covered Bonds Guarantor in accordance with the provisions of Article 4, paragraph 4, of the MEF Decree shall temporarily substitute for the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

As a consequence and as expressly indicated in the Conditions, the Covered Bondholders have irrevocably delegated to the Covered Bonds Guarantor (also in the interest and for the benefit of the Covered Bonds Guarantor) the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

Following the occurrence of an Issuer Event of Default (other than the event referred under Condition 12(c) (iii)) and service of a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Event of Default, the Covered Bonds Guarantor, in accordance with the provisions set forth under the Covered Bonds Guarantee (as well as in accordance with the provisions of Article 4, paragraph 3, of the MEF Decree), shall substitute the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

As a consequence and as expressly indicated in the Conditions, the Covered Bondholders have irrevocably delegated to the Covered Bonds Guarantor (also in the interest and for the benefit of the Covered Bonds Guarantor) the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any enforcement rights for acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or

mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

Following the occurrence of an Issuer Event of Default referred under Condition 12(c) (iii) and service of a Notice to Pay on the Covered Bonds Guarantor, but prior to the occurrence of any Covered Bonds Guarantor Events of Default, as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer, the Covered Bonds Guarantor in accordance with the provisions of Article 4, paragraph 3, of the MEF Decree shall substitute the Issuer in all obligations of the Issuer towards the Covered Bondholders in accordance with the terms and conditions originally set out for the Covered Bonds, so that the rights of payment of the Covered Bondholders in such circumstance will only be the right to receive payments of the Scheduled Interest and the Scheduled Principal from the Covered Bonds Guarantor on the Scheduled Due for Payment Date. In consideration of the substitution of the Covered Bonds Guarantor in the performance of the payment obligations of the Issuer under the Covered Bonds, the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the rights of the Covered Bondholders vis-à-vis the Issuer and any amount recovered from the Issuer will be part of the Available Funds.

As a consequence and as expressly indicated in the Conditions, the Covered Bondholders have irrevocably delegated to the Covered Bonds Guarantor (also in the interest and for the benefit of the Covered Bonds Guarantor) the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 11(a) (*Gross up*).

For the purposes of the Covered Bonds Guarantee:

“**Due for Payment Date**” means (i) a Scheduled Due for Payment Date or (ii) following the occurrence of a Covered Bonds Guarantor Event of Default, the date on which the Covered Bonds Guarantor Acceleration Notice is served on the Covered Bonds Guarantor. If the Due for Payment Date is not a Business Day, the Due for Payment Date will be the next following Business Day. For the avoidance of doubt, Due for Payment Date does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the Guaranteed Obligations, by reason of prepayment, mandatory or optional redemption or otherwise.

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

**“Scheduled Due for Payment Date”** means:

- (a) (A) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (B) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Article 74 Event or an Issuer Event of Default, the day which is two Business Days following service, respectively, of the Article 74 Notice to Pay (which has not been withdrawn) or the Notice to Pay on the Covered Bonds Guarantor in respect of such Guaranteed Amounts, if such Article 74 Notice to Pay or Notice to Pay has not been served more than two Business Days prior to the relevant Scheduled Payment Date; or
- (b) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

**“Scheduled Interest”** means an amount equal to the amount in respect of interest which would have been due and payable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the **“Excluded Scheduled Interest Amounts”**), but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, *less* any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

**“Scheduled Payment Date”** means each CB Payment Date.

**“Scheduled Principal”** means an amount equal to the amount in respect of principal which would have been due and repayable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, or premiums: the **“Excluded Scheduled Principal Amounts”**), but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or, if in accordance with the Final Terms an Extended Maturity Date is applied to such Series, the Extended Maturity Date of such Series.

#### *Governing Law*

The Covered Bonds Guarantee is governed by Italian law.

#### **Servicing Agreement**

On May 20, 2009 the Servicer has agreed, pursuant to the terms of a servicing agreement (the **“Servicing Agreement”**), to administer and service the Receivables or Securities, on behalf of the Covered Bonds Guarantor. The appointment to the Servicer is not a mandate *in rem propriam* and, therefore, the Covered Bonds Guarantor is entitled to revoke or terminate the same in accordance with the provisions set forth in the Servicing Agreement.

As consideration for the activity performed and reimbursement of expenses, the Servicing Agreement provides that the Servicer will receive certain fees payable by the Covered Bonds Guarantor on each Guarantor Payment Date in accordance with the applicable Priorities of Payments.

### *Servicer's activities*

In the context of the appointment, the Servicer has undertaken to perform, with its best diligence and highest ethical standards, *inter alia*, the activities specified below:

- (i) administration, management and collection of the Receivables or Securities in accordance with the Servicing Agreement, the Collection Policies and the OBG Regulations; management and administration of enforcement proceedings and insolvency proceedings;
- (ii) to perform certain activities with reference to the data processing pursuant to Legislative Decree no. 196 of 30 June 2003 (the "**Privacy Law**");
- (iii) to keep and maintain updated and safe the documents relating to the Receivables or Securities transferred from the Seller to the Covered Bonds Guarantor; to consent to the Covered Bonds Guarantor and the Representative of the Covered Bondholders to examine and inspect the documents and to draw copies;
- (iv) upon the occurrence of a Covered Bonds Guarantor Events of Default, the Servicer shall follow only the instructions given by the Representative of the Covered Bondholders and disregard those instructions given by the Covered Bonds Guarantor.

The Servicer is entitled to delegate the performance of certain activities to third parties, except for the supervisory activities in accordance with Bank of Italy Regulations of August 5, 1996, No. 216, as amended and supplemented. Notwithstanding the above, the Servicer shall remain fully liable for the activities performed by a party so appointed by the Servicer, and shall maintain the Covered Bonds Guarantor fully indemnified for any losses, costs and damages incurred for the activity performed by a party so appointed by the Servicer.

### *Servicer Reports*

The Servicer has undertaken to prepare and submit, prior to the occurrence of a breach of the Tests, quarterly reports to the Covered Bonds Guarantor, the Administrative Services Provider, the Asset Monitor, the Rating Agency, the Representative of the Covered Bondholders, the Hedging Counterparties and the Calculation Agent, in the form set out in the Servicing Agreement, containing information about the Collections made in respect of the Portfolio during the preceding Collection Period. The reports will provide the main information relating to the Servicer's activity during the period, including without limitation: a description of the Portfolio (outstanding amount, principal and interest), information relating to delinquencies, defaults and collections during the Collection Period.

Further to the occurrence of a breach of the Tests, and until the sixth month following the cure of such Tests, the Servicer has undertaken to prepare and submit a monthly report, substantially equal to the quarterly report above mentioned, to the Covered Bonds Guarantor, the Administrative Services Provider, the Asset Monitor, the Rating Agency, the Representative of the Covered Bondholders, the Hedging Counterparties and the Calculation Agent. The reports will provide the main information relating to the Servicer's activity during the month prior to the relevant issue date of the report.

### *Successor Servicer*

According to the Servicing Agreement, upon the occurrence of a termination or withdrawal event, the Covered Bonds Guarantor shall have the right, but not the obligation, to withdraw the appointment of the Servicer and, subject to the approval in writing of the Representative of the Covered Bondholders, to appoint a different entity (the "**Successor Servicer**"). The Successor Servicer shall undertake to carry out the activity of administration, management and collection of the Receivables or Securities, as well as all other activities provided for in the Servicing Agreement by entering into a servicing agreement having substantially the same form and contents as the Servicing Agreement and accepting the terms and conditions of the Intercreditor Agreement.



The Covered Bonds Guarantor may terminate the Servicer's appointment and appoint a Successor Servicer following the occurrence of any of the termination event (each a “**Servicer Termination Event**”). The Servicer Termination Events include:

- (i) an insolvency, liquidation or winding up event occurred with respect to the Servicer;
- (ii) loss of the minimum required rating provided for the Servicer under the Servicing Agreement;
- (iii) failure to observe or perform duties under the Transaction Documents and the continuation of such failure for a period of 15 Business Days following receipt of written notice from the Covered Bonds Guarantor where such breach prejudiced the reliance of the Covered Bonds Guarantor on the Servicer;
- (iv) amendments of the functions and services involved in the management of the claims and in the recovery and collection procedures, if such amendments may individually or jointly, prevent the Servicer from fulfilling the obligations assumed under the Servicing Agreement;
- (v) inability of the Servicer to meet the legal requirements and the Bank of Italy's regulations for entities acting as servicer.

#### *Governing Law*

The Servicing Agreement is governed by Italian law.

#### **Administrative Services Agreement**

Pursuant to an administrative services agreement entered into on May 20, 2009 (the “**Administrative Services Agreement**”), the Administrative Services Provider has agreed to provide the Covered Bonds Guarantor with a number of administrative services, including the keeping of the corporate books and of the accounting and tax registers.

#### *Governing Law*

The Administrative Services Agreement is governed by Italian law.

#### **Intercreditor Agreement**

Under the terms of an intercreditor agreement entered into on or about the Initial Issue Date (the “**Intercreditor Agreement**”) among the Covered Bonds Guarantor, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Organisation of the Covered Bondholders), the Issuer, BIIS in its capacity as Seller, Subordinated Loan Provider and Servicer, the Administrative Services Provider, the Receivables Collection Account Bank, the Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Hedging Counterparties, the Cash Manager, the Asset Monitor and the Calculation Agent (collectively, together with any other entity acceding to the Intercreditor Agreement, the “**Secured Creditors**”), the parties agreed that all the Available Funds of the Covered Bonds Guarantor will be applied in or towards satisfaction of the Covered Bonds Guarantor's payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the relevant Priorities of Payments provided in the Intercreditor Agreement.

According to the Intercreditor Agreement, the Representative of the Covered Bondholders will, subject to a Covered Bonds Guarantor Events of Default having occurred, ensure that all the Available Funds are applied in or towards satisfaction of the Covered Bonds Guarantee's payment obligations towards the Covered Bondholders as well as the Secured Creditors, in accordance with the Post-Guarantor Default Priority of Payments provided in the Intercreditor Agreement.

The obligations owed by the Covered Bonds Guarantor to each of the Covered Bondholders and each of the Secured Creditors will be limited recourse obligations of the Covered Bonds Guarantor. The Covered Bondholders and the Secured Creditors will have a claim against the Covered Bonds Guarantor only to the extent of the Available Funds, in each case subject to and as provided for in the Intercreditor Agreement and the other Transaction Documents.

The Covered Bonds Guarantor has granted a general irrevocable mandate to the Representative of the Covered Bondholders, in the interest, and for the benefit of the Covered Bondholders and the other Secured Creditors, to act in the name and on behalf of the Covered Bonds Guarantor on the terms and conditions specified in the Intercreditor Agreement, in exercising the rights of the Covered Bonds Guarantor under the Transaction Documents to which it is a party, other than the rights related to the collection and recovery of the Receivables or Securities and to cash and payment services (save, in this respect, as provided otherwise therein).

#### *Governing Law*

The Intercreditor Agreement is governed by Italian law.

#### **Cash Management and Agency Agreement**

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer, the Cash Manager, the Account Bank, the Receivables Collection Account Bank, the Paying Agent, the Luxembourg Listing Agent, the Seller, the Servicer, the Subordinated Loan Provider, the Administrative Services Provider, the Calculation Agent and the Representative of the Covered Bondholders entered into a cash allocation, management and payments agreement (the “**Cash Management and Agency Agreement**”), pursuant to which the Account Bank, the Receivables Collection Account Bank, the Cash Manager, the Paying Agent, the Luxembourg Listing Agent, the Servicer, the Administrative Services Provider and the Calculation Agent will provide the Covered Bonds Guarantor with certain calculation, notification and reporting services together with account handling and cash management services in relation to moneys from time to time standing to the credit of the Accounts.

Pursuant to the Cash Management and Agency Agreement:

- (i) the Receivables Account Bank will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with account handling services in relation to moneys from time to time standing to the credit of the Receivables Collection Accounts;
- (ii) the Account Bank will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with account handling services in relation to moneys from time to time standing to the credit of the Other Accounts (as defined below);
- (iii) the Cash Manager will provide, *inter alia*, the Covered Bonds Guarantor, on or prior to each Servicer Report Date, with a report together with certain cash management services in relation to moneys standing to the credit of the Accounts;
- (iv) the Calculation Agent will provide, *inter alia*, the Covered Bonds Guarantor: (i) with a payments report (the “**Payments Report**”) which will set out the Available Funds and the payments to be made on the following Guarantor Payment Date and (ii) with an investors report (the “**Investors Report**”) which will set out certain information with respect to the Portfolio and the Covered Bonds;
- (v) the Paying Agent will provide the Issuer and the Covered Bonds Guarantor with certain payment services.

#### *Receivables Collection Account Bank*

The Principal Receivables Collection Account and the Interest Receivables Collection Account (the “**Receivables Collection Accounts**” will be opened in the name of the Covered Bonds Guarantor and shall be operated by the Receivables Collection Account Bank, and the amounts to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

On behalf of the Covered Bonds Guarantor, the Receivables Collection Account Bank shall maintain or ensure that records in respect of each of the Receivables Collection Accounts are maintained and such records will, on or prior to each Servicer Report Date, show separately: (i) the balance of each of Receivables Collection Accounts as of the immediately preceding Collection Date; (ii) the total interest accrued and paid on the Receivables Collection Accounts as of the immediately preceding Collection Period; and (iii) details of all amounts credited to, and transfers made from, each of the Receivables Collection Accounts in the course of the immediately preceding Collection Date. The Receivables Collection Account Bank will provide information to the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Administrative Services Provider and/or the Calculation Agent upon their request, about the balance of those of the Receivables Collection Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Receivables Collection Account Bank shall always maintain the Minimum Required Receivables Collection Account Bank Rating provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

The Receivables Collection Account Bank may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Receivables Collection Account Bank pursuant to the terms of the Cash Management and Agency Agreement. The Receivables Collection Account Bank shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

#### *Account Bank*

The Securities Collection Accounts, the Securities Account, the Investment Account, the Eligible Investments Account, the Transaction Account, the Expenses Account, the Corporate Account and the Quota Capital Account (“**Other Accounts**” and together with the Receivables Collection Accounts, the “**Accounts**”) will be opened in the name of the Covered Bonds Guarantor and shall be operated by the Account Bank, and the amounts standing to the credit thereof shall be debited and credited in accordance with the provisions of the Cash Management and Agency Agreement.

On behalf of the Covered Bonds Guarantor, the Account Bank shall maintain or ensure that records in respect of each of the Accounts are maintained and such records will, on or prior to each Servicer Report Date, show separately: (i) the balance of each of the Other Accounts as of the immediately preceding Collection Date; (ii) the total interest accrued and paid on the Other Accounts as of the immediately preceding Collection Date; and (iii) details of all amounts or securities credited to, and transfers made from, each of the Other Accounts in the course of the immediately preceding Collection Period. The Account Bank will provide information to the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Administrative Services Provider and/or the Calculation Agent, upon their request, about the balance of those of the Accounts which are held with it.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Account Bank shall always maintain the Minimum Required Account Bank Ratings, provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

The Account Bank may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Account Bank pursuant to the terms of the Cash Management and Agency Agreement. The Account Bank shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

#### *Cash Manager*

On each Guarantor Payment Date, the Cash Manager shall, subject to receiving the Payments Report from the Calculation Agent, execute the payment instructions stated by the Calculation Agent and shall allocate the amounts standing on the Transaction Account according to the relevant Priorities of Payments, except for the payments to be carried out by the Paying Agent under the outstanding Covered Bonds.

During each Collection Period, the Cash Manager may instruct the Account Bank to invest funds standing to the credit of the Investment Account in Eligible Investments or Authorised Investments on behalf of the Covered Bonds Guarantor.

Subject to compliance with the definitions of Eligible Investments and Authorised Investments and the other restrictions set out in the Cash Management and Agency Agreement, the Cash Manager shall have absolute discretion as to the types and amounts of Eligible Investments and Authorised Investments which it may acquire and as to the terms on which, through whom and on which markets, any purchase of Eligible Investments or Authorised Investments may be effected. As long as the Account Bank meets the requirements under the Cash Management and Agency Agreement, with particular regard to the Minimum Required Account Bank Ratings, the Collection Accounts and the Investment Account constitute Eligible Investments, the Cash Manager will be under no obligation or duty whatsoever to instruct or consider instructing the Account Bank to invest funds standing to the credit of the Investment Account in any other Eligible Investment.

On or prior to each Servicer Report Date, the Cash Manager shall deliver a copy of its report, *inter alia*, to the Covered Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent, which shall include information on the Eligible Investments and Authorised Investments.

The Cash Manager may resign from its appointment under the Cash Management and Agency Agreement and the Covered Bonds Guarantor and the Representative of the Covered Bondholders may jointly terminate the appointment of the Cash Manager pursuant to the terms of the Cash Management and Agency Agreement. The Cash Manager shall not be released from its obligations under the Cash Management and Agency Agreement until its substitute, to be appointed by the Representative of the Covered Bondholders and the Covered Bonds Guarantor jointly, has entered into a the Cash Management and Agency Agreement and has accepted the Deed of Pledge, the Deed of Charge and has entered into the Intercreditor Agreement and the Master Definition Agreement.

#### *Calculation Agent*

The Calculation Agent will prepare a Payments Report no later than the fifth Business Day prior to each Guarantor Payment Date, subject to receipt by it of reports from the Servicer, the Cash Manager, the Receivables Collection Account Bank, the Account Bank and the Administrative Services Provider, which will set out the Available Funds and payments to be made on the immediately succeeding Guarantor Payment Date in accordance with the applicable Priorities of Payments. Such Payments Report will be available for inspection during normal business hours at the registered office of the Luxembourg Listing Agent.

On or prior to the Investors Report Date the Calculation Agent shall prepare and deliver to the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders, the Servicer, the Administrative Services Provider, the Luxembourg Listing Agent, the Cash Manager, the Rating Agency, the Investors Report setting out certain information with respect to the Portfolio and the Covered Bonds and promptly publish the Investors Report on the website of the Calculation Agent.

#### *Paying Agent*

The Paying Agent shall, prior to the delivery of an Article 74 Notice to Pay or a Notice to Pay (or following the withdrawal of an Article 74 Notice to Pay), make payments of principal and interest in respect of the Covered Bonds on behalf of the Issuer in accordance with the Conditions, the relevant Final Terms and the Cash Management and Agency Agreement.

Following the occurrence of an Article 74 Event or an Issuer Event of Default and following delivery of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay or of a Covered Bonds Guarantor Event of Default (in order to provide for the payment of the amounts due by the Covered Bonds Guarantor to the Covered Bondholders under the Covered Bonds Guarantee), the Account Bank, upon instruction of the Cash Manager, shall pay, in accordance with the terms and conditions set forth under the Cash Management and Agency Agreement, to the Paying Agent, an amount equal to the amount necessary to execute payments of interest and principal due in relation to in respect of outstanding Covered Bonds on the relevant CB Payment Date.

Pursuant to the Cash Management and Agency Agreement, it is a necessary requirement that the Paying Agent shall always maintain the Minimum Required Paying Agent Ratings, provided for under the Cash Management and Agency Agreement, and failure to so qualify shall constitute a termination event thereunder.

#### *Luxembourg Listing Agent*

The Luxembourg Listing Agent will, upon and in accordance with the signed, written instructions of the Issuer or, after the occurrence of an Issuer Event of Default, the Covered Bonds Guarantor or, following the occurrence of a Covered Bonds Guarantor Event of Default, the Representative of the Covered Bondholders, arrange for publication of any notice which is to be given to the Covered Bondholders by publication in a newspaper having general circulation in Luxembourg, or any other means from time to time accepted by the CSSF or Luxembourg Stock Exchange, and will maintain one copy thereof at its address and will supply a copy thereof to the Issuer, the Paying Agent, Monte Titoli and the Luxembourg Stock Exchange.

The Luxembourg Listing Agent will: (a) promptly forward to the Issuer, the Paying Agent, the Administrative Services Provider, the Representative of the Covered Bondholders and the Covered Bonds Guarantor a copy of any notice or communication addressed to the Covered Bonds Guarantor or to the Issuer by any Covered Bondholders and which is received by the Luxembourg Listing Agent; (b) make available to the Issuer, the Covered Bonds Guarantor and the Paying Agent such information in its possession as is reasonably required for the maintenance of the records in respect of all the Accounts; (c) comply with the listing rules of the Luxembourg Stock Exchange in connection with the Programme; and (d) promptly inform the Covered Bonds Guarantor of any fact which may affect its duties in connection with the Programme.

#### *Termination*

Upon the occurrence of certain events, including the Account Bank, the Receivables Collection Account Bank or the Paying Agent ceasing to maintain the respective Minimum Required Ratings, either the Issuer (only prior to the occurrence of an Issuer Event of Default and with respect to certain agents only), the Representative of the Covered Bondholders or the Covered

Bonds Guarantor, provided that (in the case of the Covered Bonds Guarantor) the Representative of the Covered Bondholders consents in writing to such termination, may terminate the appointment of the Account Bank, the Receivables Collection Account Bank, the Cash Manager, the Paying Agent, the Luxembourg Listing Agent and the Calculation Agent, as the case may be, under the terms of the Cash Management and Agency Agreement.

#### *Governing Law*

The Cash Management and Agency Agreement will be governed by Italian law.

### **Portfolio Administration Agreement**

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer, the Seller, the Servicer, the Subordinated Loan Provider, the Cash Manager, the Asset Monitor, the Representative of the Covered Bondholders and the Calculation Agent have entered into the Portfolio Administration Agreement. Pursuant to such agreement the Seller, the Issuer and the Covered Bonds Guarantor have undertaken certain obligations for the replenishment of the Portfolio in order to cure a breach of the Tests.

Pursuant to the terms and conditions of the Portfolio Administration Agreement, the Calculation Agent has agreed to verify the compliance of the Tests and, in the event of a breach, to immediately notify in writing the Representative of the Covered Bondholders, the Issuer, the Seller, the Asset Monitor, the Paying Agent, the Hedging Counterparties and the Rating Agency of such breach. On each Calculation Date, moreover, the Calculation Agent shall deliver an asset cover report including the relevant calculations in respect of the Tests to the Issuer, the Covered Bonds Guarantor, the Seller, the Representative of the Covered Bondholders, the Asset Monitor and the Hedging Counterparties.

Following the delivery of an Article 74 Notice (which has not been withdrawn) or a Notice to Pay (and prior to the occurrence of any Covered Bonds Guarantor Events of Default), if necessary in order to effect timely payments under the Covered Bonds, as determined by the Calculation Agent in consultation with the Portfolio Manager, the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the Portfolio Administration Agreement, subject to any pre-emption right of the Seller or the Issuer pursuant to the Master Transfer Agreement or any other Transaction Documents (the “**Selected Assets**”). The proceeds of any such sale shall be credited to the Investment Account. Following the delivery of a Notice to Pay and appointment of the Portfolio Manager, the Portfolio Manager shall deliver the reports required by the Portfolio Administration Agreement.

Following the delivery of a Covered Bonds Guarantor Acceleration Notice, the Representative of the Covered Bondholders shall, in the name and on behalf of the Covered Bonds Guarantor, direct the Servicer to sell Selected Assets in accordance with the Portfolio Administration Agreement, subject to any pre-emption right of the Seller pursuant to the Master Transfer Agreement or any other Transaction Documents. The proceeds of any such sale shall be applied in accordance with the relevant Priority of Payments.

#### *Governing Law*

The Portfolio Administration Agreement will be governed by Italian law.

### **Asset Monitor Agreement**

On or about the Initial Issue Date, the Asset Monitor, the Covered Bonds Guarantor, the Calculation Agent, the Cash Manager, the Issuer, the Seller and the Representative of the Covered Bondholders entered into an asset monitor agreement (the “**Asset Monitor Agreement**”), pursuant to which the Asset Monitor has agreed to perform certain tests and procedures and carry out certain monitoring and reporting services with respect to the Issuer and the Covered Bonds Guarantor.

Pursuant to the Asset Monitor Agreement, the Asset Monitor has agreed with the Issuer and, upon the delivery of a Notice to Pay, with the Covered Bonds Guarantor, subject to due receipt of the information to be provided by the Calculation Agent, to conduct independent tests in respect of the calculations performed by the Calculation Agent for the Tests, as applicable with a view of verifying the compliance by the Covered Bonds Guarantor with such tests.

The Asset Monitor will be required to conduct such tests no later than the relevant Asset Monitor Report Date (as defined under the Asset Monitor Agreement). On each Asset Monitor Report Date, the Asset Monitor shall deliver to the Covered Bonds Guarantor, the Calculation Agent, the Representative of the Covered Bondholders, the Servicer and the Issuer a report substantially in the form set forth in the Asset Monitor Agreement (the “**Asset Monitor Report**”).

Other than in relation to the verification of the Tests, the Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it under the Asset Monitor Agreement is true and correct and is complete and not misleading. The results of the tests conducted by the Asset Monitor will be delivered to the Calculation Agent, the Covered Bonds Guarantor, the Issuer and the Representative of the Covered Bondholders.

In the Asset Monitor Agreement, the Asset Monitor has acknowledged to perform its services also for the benefit and in the interests of the Covered Bonds 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 Covered Bonds Guarantor or the Representative of the Covered Bondholders on its behalf.

The Issuer and (upon delivery of a Notice to Pay) the Covered Bonds Guarantor may, subject to the prior written notice to the Rating Agency and the prior written consent of the Representative of the Covered Bondholders, revoke the appointment of the Asset Monitor by giving not less than one year or earlier than one year, in the event of a breach of warranties and covenants, written notice to the Asset Monitor (with a copy to the Representative of the Covered Bondholders, the Servicer and the Calculation Agent). If termination of the appointment of the Asset Monitor would otherwise take effect less than 30 days before or after any Calculation Date immediately after which an Asset Monitor Report shall be delivered, then such termination shall not take effect until the tenth day following such Calculation Date. In any case, no revocation of the appointment of the Asset Monitor shall take effect until a successor, notified in writing to the Rating Agency and approved by the Representative of the Covered Bondholders, has been duly appointed in accordance with the provisions of the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign by giving not less than one year (or such shorter period as the Representative of the Covered Bondholders may agree) prior written notice of termination to the Issuer, the Covered Bonds Guarantor, the Calculation Agent, the Servicer and the Representative of the Covered Bondholders, provided that such resignation will not take effect unless and until, *inter alia*: (i) a substitute Asset Monitor being appointed by the Issuer and (upon delivery of a Notice to Pay) the Covered Bonds Guarantor, with the prior written notice to the Rating Agency and with the prior written approval of the Representative of the Covered Bondholders, on substantially the same terms as those set out in the Asset Monitor Agreement; (ii) the Asset Monitor being not released from its obligations under the Asset Monitor Agreement until a substitute Asset Monitor has entered into such new agreement and it has become a party to the Intercreditor Agreement; (iii) the Representative of the Covered Bondholders, after the prior written notice to the Rating Agency, consenting in writing to the resignation (such consent not to be unreasonably withheld or delayed) and (iv) if such resignation would otherwise take effect less than 30 days before or after any Calculation Date immediately after which an Asset Monitor Report shall be delivered, then such resignation shall not take effect until the tenth day following such Calculation Date.

#### *Governing Law*

The Asset Monitor Agreement is governed by Italian law.

### **Quotaholders' Agreement**

On or about the Initial Issue Date the Covered Bonds Guarantor, the Issuer and Stichting Viridis 2 entered into a quotaholders' agreement (the "**Quotaholders' Agreement**"), containing provisions and undertakings in relation to the management of the Covered Bonds Guarantor. In addition, pursuant to the Quotaholders' Agreement, Stichting Viridis 2 will grant a call option in favour of the Issuer to purchase from Stichting Viridis 2 and Intesa Sanpaolo will grant a put option in favour of Stichting Viridis 2 to sell to Intesa Sanpaolo the quota of the Issuer quota capital held by Stichting Viridis 2.

#### *Governing Law*

The Quotaholders' Agreement will be governed by Italian law.

### **Dealer Agreement**

On or about the Initial Issue Date, the Issuer, the Representative of Covered Bondholders and the Dealer entered into a dealer agreement (the "**Dealer Agreement**"), which contains certain arrangements under which the Covered Bonds may be issued and sold, from time to time, by the Issuer to the Dealer or any other dealers.

The Issuer, the Covered Bondholders and the Seller will indemnify the Dealer for costs, liabilities, charges, expenses and claims incurred by or made against the Dealer arising out of, in connection with or based on breach of duty or misrepresentation by the Issuer, the Covered Bonds Guarantor or the Seller.

The Dealer Agreement contains provisions relating to the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers acceding as new dealer: (i) generally in respect of the Programme or (ii) in relation to a particular issue of Covered Bonds.

The Dealer Agreement contains stabilisation provisions.

Pursuant to the Dealer Agreement, the Issuer, the Covered Bonds Guarantor and the Seller give certain representations and warranties to the Dealer in relation to, *inter alia*, themselves and the information given by each of them in connection with this Base Prospectus.

#### *Governing Law*

The Dealer Agreement will be governed by Italian law.

### **Subscription Agreement**

The Dealer Agreement also contains the *pro forma* of the Subscription Agreement to be entered into in relation to each issue of Covered Bonds.

On or prior to the relevant Issue Date, the Issuer, the Dealers who are parties to such Subscription Agreement (the "**Relevant Dealers**") will enter into a subscription agreement under which the Relevant Dealers will agree to subscribe for the relevant tranche of Covered Bonds, subject to the conditions set out therein.

Under the terms of the Subscription Agreement, the Relevant Dealers will confirm the appointment of the Representative of the Covered Bondholders.

#### *Governing Law*

The Subscription Agreement will be governed by Italian law.



## **Deed of Pledge**

On or about the Initial Issue Date the Covered Bonds Guarantor executed a deed of pledge (the “**Deed of Pledge**”) by means of which the Covered Bonds Guarantor pledged in favour of the Covered Bondholders and the Secured Creditors all the monetary claims and rights and all the amounts payable from time to time (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Covered Bonds Guarantor is entitled pursuant or in relation to the Transaction Documents (other than the English law Transaction Documents, the Deed of Pledge and the Conditions), including the monetary claims and rights relating to the amounts standing to the credit of the Accounts and any other account established by the Covered Bonds Guarantor in accordance with the provisions of the Transaction Documents. The Covered Bonds Guarantor will further grant a pledge in favour of the Covered Bondholders and the Secured Creditors of all of its rights, title, interest and benefit from time to time in and to any Eligible Investments or Authorised Investments made on behalf of the Covered Bonds Guarantor and the amounts and the securities standing to the credit of the Securities Account.

### *Governing Law*

The Deed of Pledge is governed by Italian law.

## **Deed of Charge**

On or about the Initial Issue Date, the Covered Bonds Guarantor executed a deed of charge (the “**Deed of Charge**”) by means of which the Covered Bonds Guarantor assigns by way of security to, and charges in favour of, the Representative of the Covered Bondholders (acting in its capacity as Security Trustee for itself and on trust for the Covered Bondholders and the Secured Creditors), all of its rights, title, interest and benefit from time to time in and to the Swap Agreements.

### *Governing Law*

The Deed of Charge is governed by English law.

## **Swap Agreements**

### **CB Swaps**

In order to hedge the currency and/or interest rate exposure in relation to its floating or fixed rate obligations under the CB, the Covered Bonds Guarantor may enter into one or more swap transactions with the CB Hedging Counterparty on each Issue Date as confirmed by a confirmation (a “**CB Swap Confirmation**”) evidencing the terms of such transaction (a “**CB Swap**” and jointly the “**CB Swaps**”), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, 1995 ISDA Credit Support Annex (Bilateral Form – Transfer)(ISDA Agreements Subject to English law) (the “**Credit Support Annex**”) and CB Swap Confirmation (the “**CB Master Agreement**”).

### **TBG Swaps**

In order to hedge the interest rate and/or currency risks related to the transfer of each Portfolio, the Covered Bonds Guarantor will enter into one or more swap transactions with the TBG Hedging Counterparty, on the date of each transfer as confirmed by a confirmation (a “**TBG Swap Confirmation**” and together with the CB Swap Confirmations, the “**Swap Confirmations**”) evidencing the terms of such transaction (a “**TBG Swap**” and jointly the “**TBG Swaps**” and together with the CB Swaps, the “**Swap Agreements**”), subject to a 1992 International Swaps and Derivatives Association Inc. (ISDA) Master Agreement (Multicurrency - Cross Border), including Schedule, Credit Support Annex and TBG Swap Confirmation (the “**TBG Master Agreement**” and together with the CB Master Agreement, the “**Master**

**Agreements”).**

With respect to any Swap, the respective Hedging Counterparty will, *inter alia*, be required to have the Minimum Required Hedging Counterparty Rating provided for under the respective Master Agreement.

In the event that the Hedging Counterparty ceases to hold a Moody's First Trigger Required Rating (“**Initial Moody's Rating Event**”), then the Hedging Counterparty shall notify the Rating Agency, the Representative of the Covered Bondholders and the Covered Bonds Guarantor within 30 Business Days of such rating event and shall use its reasonable endeavors and as soon as reasonably practicable after such rating event and at its cost provide collateral pursuant to the terms of the Credit Support Annex.

In the event that the Hedging Counterparty shall cease to hold a Moody's Second Trigger Required Rating (“Subsequent Rating Event”), then the Hedging Counterparty shall be required, (as soon as reasonably practicable after such downgrade) at its cost:

- (i) to continue to provide collateral under the terms of the Credit Support Annex until (ii) below occurs; and
- (ii) either to
  - (a) transfer all its interest in, and obligations under, this Agreement to another entity the short-term, unsecured and unsubordinated debt obligations of which are rated at least “Prime-1” by Moody's and the long-term, unsecured debt obligations at least “A2” by Moody's; or
  - (b) procure another entity the short-term, unsecured and unsubordinated debt obligations of which are rated at least “Prime-1” by Moody's and the long-term, unsecured debt obligations at least “A2” by Moody's to become guarantor in respect of the obligations of the Hedging Counterparty under this Agreement.

Failure or inability by the Hedging Counterparty to comply with the obligations described above following an Initial Rating Event or a Subsequent Rating Event shall constitute an Additional Termination Event in accordance with Section 5(b)(v) of the Master Agreements in respect of which the Hedging Counterparty shall be the sole Affected Party.

The Covered Bonds Guarantor may only designate an Early Termination Date if it has found a replacement counterparty willing to enter into a new transaction close to the current one (economic and legal terms).

Each Master Agreement will terminate on the Maturity Date or, if applicable under the relevant Final Terms, the Extended Maturity Date or the Long Date Due For Payment Date, as the case may be, unless terminated earlier in accordance with its terms.

Under the terms of each Swap Confirmation, on or about each Payment Date, or Swap Payment Date in the case of the relevant Hedging Counterparty, both the Covered Bonds Guarantor and the relevant Hedging Counterparty are required to make a payment as set out in the respective Swap Confirmation.

In the event that the Covered Bonds Guarantor fails to make any one such payment then the relevant Hedging Counterparty is entitled to terminate all of the Swaps to which it is a party. Upon such termination, the Covered Bonds Guarantor may be required to make a termination payment to the Hedging Counterparty. Such payment will be made in accordance with the Priority of Payments set out in the Intercreditor Agreement. In the event that the Hedging Counterparty fails to make any payment then the Covered Bonds Guarantor is entitled to terminate all of the Swaps to which such Hedging Counterparty is a party. In the event that following a termination due to the occurrence of an Event of Default, a Termination Event or Additional Termination Event, the Covered Bonds Guarantor may be required to make a termination payment to the Hedging Counterparty, such payment will be made in accordance with the Priority of Payments set out in the Intercreditor Agreement.

### *Governing Law*

The Swaps are governed by English law.

Notwithstanding the above, the Covered Bonds Guarantor could enter into hedging agreements, other than the Master Agreements, in order to hedge the interest rate and/or currency risk related to the transfer of each Portfolio or to the Covered Bonds. Details of such agreements will be provided for, from time to time, in the relevant Final Terms.

### **Master Definition Agreement**

Pursuant to a master definition agreement entered into on or about the Initial Issue Date between the Covered Bonds Guarantor and the other parties to the Transaction Documents (the “**Master Definition Agreement**”), the definitions of certain terms used in the Transaction Documents have been agreed.

### *Governing Law*

The Master Definition Agreement is governed by Italian law.

### **Issuer Deed of Pledge**

Pursuant to a deed of pledge entered into on or about the Initial Issue Date between the Issuer and the Covered Bonds Guarantor (the “**Issuer Deed of Pledge**”), the Issuer has pledged in favour of the Covered Bonds Guarantor all current and future monetary claims and rights (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is or will be entitled to from time to time pursuant to certain intercompany loan agreements entered into by itself as intercompany lender and the Seller, or any Additional Seller which may from time to time become an intercompany borrower under any intercompany loan agreement. The security created pursuant to the Issuer Deed of Pledge is intended to secure all amounts that are or shall be due to the Covered Bonds Guarantor by the Issuer, as a consequence of the enforcement of the Covered Bonds Guarantee by way of *regresso* or *surrogazione* in accordance with article 1950 of the Italian Civil Code and will become enforceable upon the relevant secured obligations becoming due and payable as a consequence of the (i) delivery of a Notice to Pay; (ii) enforcement of the Covered Bonds Guarantee and (iii) payment by the Covered Bonds Guarantor of any or all the Guaranteed Amounts to the Covered Bondholders and/or the other Secured Creditors. The Issuer Deed of Pledge is not a Transaction Document.

### *Governing law*

The Issuer Deed of Pledge is governed by Italian law.

### **Intercompany Loan Agreement**

Under an agreement to be entered into between the Issuer and the Seller, the Issuer shall undertake to grant the Seller a loan for an amount equivalent to the net proceeds of each issue of the Covered Bonds (the “**Intercompany Loan Agreement**”). The obligations of the Seller under the intercompany loans granted by the Issuer under the Intercompany Loan Agreement will be in line *mutatis mutandis* with the obligations of the Issuer under the Covered Bonds. The Intercompany Loan Agreement is not a Transaction Document.

## SELECTED ASPECTS OF ITALIAN LAW

*The following is a summary only of certain aspects of Italian law that are relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. It is not intended to be exhaustive and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.*

### **Law 130 and Article 7-bis thereof. General remarks**

The Law 130 was enacted on 30 April 1999 and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

Law Decree of 14 March 2005, No. 35, converted with amendments into law by law 14 May 2005, No. 80, added articles 7-bis and 7-ter to Law 130, which regulate the issuance of covered bonds (*obbligazioni bancarie garantite*).

Pursuant to article 7-bis, certain provisions of Law 130 apply to transactions involving the “true” sale (by way of non-gratuitous assignment) of receivables meeting certain eligibility criteria set out in article 7-bis and in MEF Decree, where the sale is to a vehicle incorporated pursuant to article 7-bis and all amounts paid by the debtors are to be used by the special purpose vehicle exclusively to meet its obligations under a guarantee to be issued by it, in view of securing the payment obligations of the selling bank or of other banks in connection with the issue of covered bonds (the “**Guarantee**”).

Pursuant to article 7-bis, the purchase price of the assets to be comprised in the cover pool shall be financed through the taking of a loan granted or guaranteed by the bank selling the assets. The payment obligations of the special purpose vehicle under such loan shall be subordinated to the payment obligations of the issuing bank *vis-à-vis* the covered bond holders, the counterparties of any derivative contracts hedging risks in connection with the assigned receivables and securities, the counterparties of any other ancillary contract and counterparties having a claim in relation to any payment of other costs of the transaction.

The covered bonds are further regulated by the BoI OBG Regulations, under which the covered bonds may be issued also by banks which are member of banking groups meeting certain requirements relating to the consolidated regulatory capital and the consolidated solvency ratio at the group’s level. Such requirements must be complied with also by banks selling the assets, where the latter are different from the bank issuing the covered bonds.

### **Eligibility criteria of the claims and limits to the assignment of claims**

Under the MEF Decree, the following assets, *inter alia*, may be assigned to the purchasing company, together with any ancillary contracts aimed at hedging the financial risks embedded in the relevant assets: (a) loans extended to, or guaranteed by, the following entities, and securities issued or guaranteed by the same entities: (i) public administrations of States comprised in the European Economic Space and the Swiss Confederation (the “**Admitted States**”), including therein any Ministries, municipalities (*enti pubblici territoriali*), national or local entities and other public bodies, which attract a risk weighting factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the “Standardised Approach” to credit risk measurement; (ii) public administrations of States other than Admitted States which attract a risk weighting factor equal to 0 per cent. pursuant to the EC Directive 2006/48 regulation under the “Standardised Approach” to credit risk measurement, municipalities and national or local public bodies not carrying out economic activities (*organismi pubblici non economici*) of States other than Admitted States which attract a risk weight factor not exceeding 20 per cent. pursuant to the EC Directive 2006/48 regulation under the “Standardised Approach” to credit risk measurement (provided that such receivables and securities may not exceed 10 per cent. of the nominal value of the assets held by the Covered Bonds Guarantor); (c) asset backed securities issued in the context of securitisation transactions, meeting the following criteria: (i) the

relevant securitised receivables comprise, for an amount equal at least to 95 per cent., loans and securities referred to in letter (a) above; (ii) the relevant asset backed securities attract a risk weighting factor not exceeding 20 per cent. under the “Standardised Approach” to credit risk measurement.

For the purpose above, the relevant provisions define a guarantee “valid for purposes for the credit risk mitigation” as a guarantee eligible for the “credit risk mitigation”, in accordance with Directive 2006/48/EC of June 14, 2006 (the “**Restated Banking Directive**”). Similarly, the “Standardised Approach” shall provide a uniform approach to credit risk measurements as defined by the Restated Banking Directive.

The BoI OBG Regulations set out certain limits for banks belonging to banking groups with respect to the issuance of covered bonds:

- (i) a regulatory capital on a consolidated basis of not less than Euro 500,000,000.00; and
- (ii) an overall capital ratio of not less than 9 per cent..

Moreover, the BoI OBG Regulations set out certain limits to the possibility for banks to assign eligible assets, which are based on the level of the consolidated solvency ratio (“**CSR**”) and the “tier 1 ratio” (the “**T1R**”), in accordance with the following grid, contained in the BoI OBG Regulations:

Capital adequacy condition		Limits to the assignment
Group “a”	CSR $\geq$ 11 per cent. and T1R $\geq$ 7 per cent.	No limits
Group “b”	CSR $\geq$ 10 per cent. and $<$ 11 per cent. and T1R $\geq$ 6,5 per cent.	Assignment allowed up to 60% of the eligible assets
Group “c”	CSR $\geq$ 9 per cent. and $<$ 10 per cent. and T1R $\geq$ 6 per cent.	Assignment allowed up to 25% of the eligible assets

The relevant CSR and T1R set out in the grid relate to the aggregate of the covered bonds transactions launched by the relevant banking group.

The Limits to the Assignment do not apply to Integration (as defined below) of the portfolio, provided that Integration is allowed exclusively within the limits set out by the BoI OBG Regulations.

### **Ring-Fencing of the Assets**

Under the terms of article 3 of the Law 130, the assets relating to each transaction will by operation of law be segregated for all purposes from all other assets of the special purpose vehicle which purchases the receivables. On a winding up of the special purpose vehicle such assets will only be available to holders of the covered bonds in respect of which the special purpose vehicle has issued the Guarantee and to the other secured creditors of the special purpose vehicle. In addition, the assets relating to a particular transaction will not be available to the holders of covered bonds issued in relation to any other transaction or to general creditors of the special purpose vehicle.

However, under Italian law, any other creditor of the special purpose vehicle would be able to commence insolvency or winding up proceedings against the special purpose vehicle in respect of any unpaid debt.

### **The Assignment**

The assignment of the receivables under the Law 130 will be governed by article 58 paragraphs 2, 3 and 4, of the Legislative Decree No. 385 of 1 September 1993 (the “**Banking Law**”). The prevailing interpretation of this provision, which view has been strengthened by article 4 of the Law 130, is that the assignment can be perfected against the selling bank, assigned debtors and third party creditors by way of publication of a notice in the Italian Official Gazette and by way

of registration of such notice in the register of enterprises (*registro delle imprese*) at which the special purpose vehicle is registered, so avoiding the need for notification to be served on each debtor.

As from the latest to occur between the date of publication of the notice of the assignment in the Italian Official Gazette and the date of registration of such notice with the competent Register of Enterprises, the assignment becomes enforceable against:

- (a) the debtors and any creditors of the selling bank who have not, prior to the date of publication of the notice, commenced enforcement proceedings in respect of the relevant receivables;
- (b) the liquidator or any other bankruptcy officials of the debtors (so that any payments made by a debtor to the special purpose vehicle may not be subject to any claw-back action according to article 67 of Royal Decree no. 267 of 16 March 1942 (*Legge Fallimentare*); the “**Bankruptcy Law**”);
- (c) other permitted assignees of the selling bank who have not perfected their assignment prior to the date of publication.

Upon the completion of the formalities referred to above, the benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the special purpose vehicle, without the need for any formality or annotation.

As from the latest to occur between the date of publication of the notice of the assignment in the Italian Official Gazette and the date of registration of such notice with the competent Register of Enterprises, no legal action may be brought against the receivables assigned or the sums derived therefrom other than for the purposes of enforcing the rights of the holders of the covered bonds and to meet the costs of the transaction.

Notice of the assignment of the Initial Portfolio pursuant to the Master Transfer Agreement was published in the Italian Official Gazette of 16 June 2009, No. 68 and was filed with the Register of Enterprises of Milan on 1 July 2009.

Article 7-*bis* provides for a special regime for the assignment of claims against public administrations, which deviates from the generally applicable regime (set out by articles 69 and 70 of Royal Decree of November 18, 1923, No. 2440). Article 7-*bis*, paragraph 4, expressly provides that articles 69 and 70 of Royal Decree 2440 of 1923 shall not apply to assignments of assets under Article 7-*bis*. Accordingly, the assignment of receivables against public administration shall be governed by the same rules governing the assignment of other receivables in the context of Article 7-*bis* and Law 130.

However, Article 7-*bis*, paragraph 4, also provides that where the functions of servicer (*soggetto incaricato della riscossione dei crediti*) are attributed, in the context of covered bonds transaction, to an entity other than the assigning bank (whether from the outset or eventually), notice of such circumstance shall be given by way of publication in the Italian Official Gazette and registered mail with return receipt to the relevant public administrations.

#### **Exemption from claw-back**

Assignments executed under the Law 130 are subject to revocation on bankruptcy under article 67 of the Bankruptcy Law but only in the event that the transaction is entered into within three months of the adjudication of bankruptcy of the relevant party or in cases where paragraph 1 of article 67 applies, within six months of the adjudication of bankruptcy.

The subordinated loans to be granted to the special purpose vehicle and the Guarantee are subject to the provisions of article 67, paragraph 4, of the Bankruptcy Law, pursuant to which the provisions of article 67 relating to the claw back of for-consideration transactions, payments and guarantees do not apply to certain transactions.

### **Tests set out in the MEF Decree**

Pursuant to article 3 of the MEF Decree the issuing bank and the assigning bank (to the extent different from the issuer), will have to ensure that, in the context of the transaction, the following tests are satisfied on an ongoing basis:

- (i) The outstanding aggregate nominal amount of the cover pool shall be higher than, or equal to, the aggregate nominal amount of the outstanding covered bonds;
- (ii) the net present value of the cover pool, net of the transaction costs to be borne by the special purpose vehicle, including therein the expected costs and the costs of any hedging arrangement entered into in relation to the transaction, shall be equal to, or greater than, the net present value of the outstanding covered bonds;
- (iii) the amount of interests and other revenues generated by the cover pool, net of the costs borne by the special purpose vehicle, shall be equal to, or greater than, the interests and costs due under the outstanding covered bonds, taking also into account any hedging arrangements entered into in relation to the transaction;

(the above tests are jointly defined as the “**Mandatory Tests**”).

For the purpose of ensuring compliance with the tests described above and pursuant to article 2 of the MEF Decree, in addition to eligible assets which are generally eligible, the following assets may be used for the purpose of the integration of the cover pool:

- (a) the creation of deposits with banks incorporated in Admitted States or in a State which attract a risk weight factor equal to 0 per cent. under the “Standardised Approach” to credit risk measurement;
- (b) the assignment of securities issued by the banks referred to under (a) above, having a residual maturity not exceeding one year.

(the “**Integration Assets**”)

Integration through Integration Assets shall be allowed within the limits of 15% of the nominal value of the assets included in the portfolio.

In addition, pursuant to article 7-bis and the MEF Decree, integration of the cover pool – whether through Public Assets or through Integration Assets – (the “**Integration**”) shall be carried out in accordance with the modalities, and subject to the limits, set out in the BoI OBG Regulations.

More specifically, under the BoI OBG Regulations, Integration is allowed exclusively for the purpose of (a) complying with the Mandatory Tests; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the 15% maximum amount of Integration Assets within the portfolio. Limits to the assignment do not apply to the Integration Assignment.

The Integration is not allowed in circumstances other than as set out in the BoI OBG Regulations.

### **The features of the Guarantee**

According to article 4 of the MEF Decree the Guarantee shall be limited recourse to the cover pool, irrevocable, first demand, unconditional and autonomous from the obligations assumed by the issuer of the covered bonds. Accordingly, such obligations shall be a direct, unconditional, unsubordinated obligation of the special purpose vehicle, limited recourse to the special purpose vehicle’s available funds, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the issuer of the covered bonds.

In order to ensure the autonomous nature of the Guarantee, article 4 of the MEF Decree provides that the following provisions of the Italian Civil Code, generally applicable to personal guarantees (*fideiussioni*), shall not apply to the Guarantee: (a) article 1939, providing that a

*fideiussione* shall not generally be valid where the guaranteed obligation is not valid; (b) article 1941, paragraph 1, providing that a *fideiussione* cannot exceed the amounts due by the guaranteed debtor, nor can it be granted for conditions more onerous than those pertaining to the main obligation; (c) article 1944, paragraph 2, providing, *inter alia*, that the parties to the contract pursuant to which the *fideiussione* is issued may agree that the guarantor shall not be obliged to pay before the attachment is carried out against the guaranteed debtor; (d) article 1945, providing that the guarantor can raise against the creditor any objections (*eccezioni*) which the guaranteed debtor is entitled to raise, except for the objection relating to the lack of legal capacity; (e) article 1955, providing that a *fideiussione* shall become ineffective (*estinta*) where, as a consequence of acts of the creditor, the guarantor is prevented from subrogating into any rights, pledges, mortgages, and liens (*privilegi*) of the creditor; (f) article 1956, providing that the guarantor of future receivables shall not be liable where the creditor – without the authorisation of the guarantor – has extended credit to a third party, while being aware that the economic conditions of the principal obligor were such that recovering the receivable would have become significantly more difficult; (g) article 1957, providing, *inter alia*, that the guarantor will be liable also after the guaranteed obligation has become due and payable, provided that the creditor has filed its claim against the guaranteed debtor within six months and has diligently pursued them.

### **The obligations of the Covered Bonds Guarantor following a liquidation of the Issuer**

The MEF Decree also set out certain principles which are aimed at ensuring that the payment obligations of the special purpose vehicle are isolated from those of the issuer of covered bonds. To that effect it requires that the Guarantee contains provisions stating that the relevant obligations thereunder shall not accelerate upon the issuer's default, so that the payment profile of the covered bonds shall not automatically be affected thereby.

More specifically, article 4 of the MEF Decree provides that in the event of a breach by the issuer of its obligations *vis-à-vis* the covered bond holders, the special purpose vehicle shall assume the obligations of the issuer – within the limits of the cover pool – in accordance with the terms and conditions originally set out for the covered bonds. The same provision applies where the issuer is subjected to mandatory liquidation procedures (*liquidazione coatta amministrativa*).

In addition, the acceleration (*decadenza dal beneficio del termine*) provided for by article 1186 of the Civil Code and affecting the issuer shall not affect the payment obligations of the special purpose vehicle under the Guarantee. Pursuant to article 4 of the MEF Decree, the limitation in the application of Article 1186 of the Civil Code shall apply not only to the events expressly mentioned therein, but also to any additional event of acceleration provided for in the relevant contractual arrangements.

In accordance with article 4, paragraph 3, of the MEF Decree, in case of a *liquidazione coatta amministrativa* of the issuer, the special purpose vehicle shall exercise the rights of the covered bond holders *vis-à-vis* the issuer in accordance with the legal regime applicable to the issuer. Any amount recovered by the special purpose vehicle as a result of the exercise of such rights shall be deemed to be included in the cover pool.

The Bank of Italy shall supervise on the compliance with the aforesaid provisions, within the limits of the powers vested with the Bank of Italy by the Banking Law.

### **Controls over the transaction**

The BoI OBG Regulations lay down rules on controls over transactions involving the issuance of Covered Bonds.

*Inter alia*, resolutions on the assignment of portfolios to the special purpose vehicle are passed, both in the initial phase of transactions and in later phases, following analyses of appraisal reports on the assets prepared by an auditing firm. Such report is not required where the assignment is carried out at the book values set out in the most recent approved financial statements of the selling bank, or in its most recent six month report (*situazione patrimoniale*



*semestrale*).

The management body of the issuing bank must ensure that the structures delegated to the risk management verify at least every six months and for each transaction, *inter alia*:

- (i) quality and integrity of the assets sold to the special purpose vehicle securing the obligations undertaken by the latter;
- (ii) compliance with the maximum ratio between covered bonds issued and the cover pool sold to the special purpose vehicle for purposes of backing the issue, in accordance with the MEF Decree;
- (iii) compliance with the Limits to the Assignment and the Rules on, and Limits to Integration set out by the BoI OBG Regulations;
- (iv) effectiveness and adequacy of the coverage of risks provided under derivative agreements entered into in connection with the transaction.

The bodies with management responsibilities of issuing banks and banking groups ensure that an assessment is carried out on the legal aspects of the activity on the basis of specially issued legal reports setting out an in-depth analysis of the contractual structures and schemes adopted, with a particular focus on, *inter alia*, the characteristics of the Guarantee.

The BoI OBG Regulations also contain certain provisions on the asset monitor, who is delegated to carry out controls over the regularity of the transaction (*regolarità dell'operazione*) and the integrity of the Guarantee (*integrità della garanzia*) (the “**Asset Monitor**”). Pursuant to the BoI OBG Regulations the Asset Monitor shall be an auditing firm having adequate professional experience in relation to the tasks entrusted with the same and independent from (a) the audit firm entrusted with the auditing of the issuing bank, (b) the issuing bank and (c) the other entities which take part to the transaction.

The Asset Monitor shall prepare annual reports on controls and assessments on the performance of transactions, to be addressed, *inter alia*, to the body entrusted with control functions of the bank which appointed the Asset Monitor. The BoI OBG Regulations refer to the provisions (article 52 and 61, paragraph 5, of the Banking Law), which impose on persons responsible for conducting controls specific obligations to report to the Bank of Italy. Such reference appears to be aimed at ensuring that any irregularities found are reported to the Bank of Italy.

In order to ensure that the special purpose vehicle can perform, in an orderly and timely manner, the obligations arising under the Guarantee, the issuing banks shall use asset and liability management techniques for purposes of ensuring, including by way of specific controls at least every six months, that the payment dates of the cash-flows generated by the cover pool match the payments dates with respect to payments due by the issuing bank under the covered bonds issued and other transaction costs.

Finally, in relation to the information flows, the parties to the covered bonds transactions shall assume contractual undertakings allowing the issuing and the assigning bank also acting as servicer (and any third party servicer, if appointed) to hold the information on the cover pool which are necessary to carry out the controls described in the BoI OBG Regulations and for the compliance with the supervisory reporting obligations, including therein the obligations arising in connection with the membership to the central credit register (*Centrale dei Rischi*).

### **Insolvency proceedings**

Insolvency proceedings (*procedure concorsuali*) conducted under Italian law may take the form of, *inter alia*, a forced liquidation (*fallimento*) or creditors' agreements (*concordato preventivo* and *accordi di ristrutturazione dei debiti*). Insolvency proceedings are only applicable to businesses (*imprese*) either run by companies, partnerships or by individuals. An individual who is not a sole entrepreneur or an unlimited partner in a partnership is not subject to insolvency.

A debtor can be declared bankrupt (*fallito*) and subject to *fallimento* (at its own initiative, or at the initiative of any of its creditors or the public prosecutor) if it is not able to fulfil its

obligations in a timely manner. The debtor loses control over all its assets and of the management of its business, which is taken over by a court appointed receiver (*curatore fallimentare*). Once judgment has been made by the court and the creditors' claims have been approved, the sale of the debtor's property is conducted in accordance with a liquidation plan (approved by the delegated judge and the creditors' committee) which may provide for the dismissal of the whole business or single business units, even through competitive procedures.

A qualifying insolvent debtor may avoid being subject to *fallimento* by proposing to its creditors a creditors' agreement (*concordato preventivo*). Such proposal must contain, *inter alia*: (i) an updated statement of the financial and economic situation of the insolvent company (ii) a detailed list of the creditors and their respective credit rights and related security interest and (iii) a detailed evaluation of the assets of the insolvent company. The offer may be structured as an offer to transfer all of the assets of the insolvent debtor to the creditors or an offer to undertake other restructuring plan such as, *inter alia*, the allocation to the creditors of shares, quotas, and other debt instruments of the company. The feasibility of the proposal must be accompanied by an expert's report. An entrepreneur may also execute with the creditors representing almost the 60 per cent. of the credits a settlement providing for debt rescheduling (*accordo di ristrutturazione dei debiti*). A report of an expert certifying the feasibility of the settlement shall be attached to the latter and the settlement shall be approved by the Court.

After insolvency proceedings are commenced, no legal action can be taken against the debtor and no foreclosure proceedings may be initiated. Moreover, all action taken and proceedings already initiated by creditors are automatically stayed.

#### **Description of *Amministrazione Straordinaria delle Banche* – Suspension of payments**

A bank may be submitted to the *amministrazione straordinaria delle banche* where: (a) serious administrative irregularities, or serious violations of the provisions governing the bank's activity provided for by laws, regulations or the bank's by-laws activity are found; (b) serious capital losses are expected to occur; (c) the dissolution has been the object of a request by the administrative bodies or an extraordinary company meeting providing the reasons for the request.

According to the Banking Law, the procedure is initiated by decree of the Minister of economy and finance, acting on a proposal by the Bank of Italy, which shall terminate the board of directors and the board of auditors of the bank. Subsequently the Bank of Italy shall appoint: (a) one or more special administrator (*commissari straordinari*); (b) an oversight committee composed of between three and five members (*comitato di sorveglianza*). The *commissari straordinari* are entrusted with the duty to assess the situation of the bank, remove the irregularities which may have been found and promote solutions in the best interest of the depositors of the bank. The *comitato di sorveglianza* exercises auditing functions and provides to the *commissari straordinari* the opinions requested by the law or by the Bank of Italy. However, it should be noted that the Bank of Italy may instruct in a binding manner the *commissari straordinari* and the *comitato di sorveglianza* providing specific safeguards and limits concerning the management of the bank.

In exceptional circumstances, pursuant to article 74 of the Banking Law, the *commissari straordinari*, in order to protect the interests of the creditors, in consultation with the *comitato di sorveglianza* and subject to an authorisation by the Bank of Italy, may suspend payment of the bank's liabilities and the restitution to customers of financial instruments. Payments may be suspended for a period of up to one month, which may be extended for an additional two months. During the suspension period forced executions or actions to perfect security interests involving the bank's properties or customers' securities may not be initiated or prosecuted. During the same period mortgages may not be registered on the bank's immovable property nor may any other rights of preference on the bank's movable property be acquired, except in the case of enforceable court orders issued prior to the beginning of the suspension period. The suspension shall not constitute insolvency.

The *amministrazione straordinaria delle banche* shall last for one year from the date of issue of the decree of the Minister of the economy and finance. In exceptional cases, the procedure may be extended for a period of up to six months. The Bank of Italy may extend the duration of the procedure for periods of up to two months, in connection with the acts and formalities related to the termination of the procedure, provided that the relevant acts to be executed have already been approved by the Bank of Italy.

At the end of the procedure, the *commissari straordinari* shall undertake the necessary steps for the appointment of the bodies governing the bank in the ordinary course of business. After the appointment, the management and audit functions shall be transferred to the newly appointed bodies. It should however be noted that, should at the end of the procedure or at any earlier time the conditions for the declaration of the *liquidazione coatta amministrativa* (described in the following section) be met, then the bank may be subject to such procedure.

### **Description of *Liquidazione Coatta Amministrativa delle Banche***

According to the Banking Law, when the conditions for the *Amministrazione straordinaria delle banche* and described in the preceding paragraph are exceptionally serious (*di eccezionale gravità*), or when a court has declared the state of insolvency of the bank, the Minister of economy and finance, acting on a proposal from the Bank of Italy, by virtue of a decree, may revoke the authorisation for the carrying out of banking activities and submit the bank to the compulsory winding up (*liquidazione coatta amministrativa*).

From the date of issue of the decree the functions of the administrative and control bodies, of the shareholders meetings and of every other governing body of the bank shall cease. The Bank of Italy shall appoint: (a) one or more liquidators (*commissari liquidatori*); (b) an oversight committee composed of between three and five members (*comitato di sorveglianza*).

From the date the *commissari liquidatori* and the *comitato di sorveglianza* have assumed their functions and in any case from the third day following the date of issue of the aforesaid decree of the Minister of economy and finance, the payment of any liabilities and the restitution of assets owned by third parties shall be suspended.

The *commissari liquidatori* shall act as legal representatives of the bank, exercise all actions that pertain to the bank and carry out all transactions concerning the liquidation of the bank's assets. The *comitato di sorveglianza* shall: (i) assist the *commissari liquidatori* in exercising their functions, (ii) control the activities carried out by *commissari liquidatori*; and (iii) provide to the *commissari liquidatori* the opinions requested by the law or by the Bank of Italy. The Bank of Italy may issue directives concerning the implementation of the procedure and establish that some categories of operations and actions shall be subject to its authorisation and to preliminary consultation with the *comitato di sorveglianza*.

The Banking Law regulates the procedure for the assessment of the bank's liabilities (*accertamento del passivo*), and the procedures which allow creditors whose claims have been excluded from the list of liabilities (*stato passivo*) to challenge the list of liabilities.

The liquidators, with the favourable opinion of the *comitato di sorveglianza* and subject to authorisation by the Bank of Italy, may assign assets and liabilities, going concerns, assets and legal relationships identifiable *en bloc*. Such assets may be assigned at any stage of the procedure, even before the *stato passivo* has been deposited. The assignor shall however be liable exclusively for the liabilities included in the *stato passivo*. Subject to prior authorisation of the Bank of Italy and for the purpose of maximizing profits deriving from the liquidation of the assets, the *commissari liquidatori* may continue the banks' activity or of specific going concerns of the bank, in compliance with any indications provided for by the *comitato di sorveglianza*. In such case the provision of the Bankruptcy Law concerning the termination of legal relationships shall not apply.

Once the assets have been realised and before the final allotment to the creditors or to the last restitution to customers, the *commissari liquidatori* shall present to the Bank of Italy the closing statement of accounts of the liquidation, the financial statement and the allotment plan,

accompanied by their own report and a report by the oversight committee.

### **Insolvency of Italian local entities**

Local entities may not be declared bankrupt.

Legislative Decree No. 267 of 18 August 2000 sets out a special procedure in the case of the serious financial distress of provinces and municipalities (*dissesto*). *Dissesto* occurs if the relevant local entity cannot ensure the performance of the functions or the essential services it must perform or is unable to pay third party creditors for due and payable credits. The main consequences of the *dissesto* can be summarised as follows: (i) a special entity charged with the settlement of the debts must be appointed by the President of the Republic of Italy; (ii) the special entity must prepare a plan for the restructuring of the budget to account for the current financial situation; and (iii) foreclosure proceedings against the relevant local entity connected with debts arisen within 31 December immediately preceding the restructuring plan referred to under (ii) are prohibited; pending foreclosure proceedings are extinguished; and seizure proceedings are ineffective against the relevant local entity.

The aim of the *dissesto* procedure is to make sure that the local entities regain financial stability in order to ensure the performance of the essential services provided by law and to fulfill their liabilities to third party creditors. The *dissesto* procedure is to be completed in a limited period of time, once the time limit is expired, creditors who have not been satisfied during the *dissesto* procedure, may commence foreclosure proceeding to recover their receivables.

## 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, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Article 28 of Decree No. 213 of 24 June 1998, (ii) Legislative Decree No. 58 of 24 February 1998 (“**Financial Law**”) and implementing regulations and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.*

*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 Series of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purpose of such Series.*

### 1 Introduction

- (a) *Programme:* Intesa Sanpaolo S.p.A. (the “**Issuer**”) has established a Covered Bond Programme (the “**Programme**”) for the issuance of up to €10,000,000,000 in aggregate principal amount of covered bonds (the “**Covered Bonds**”) guaranteed by ISP CB PUBBLICO S.r.l. (the “**Covered Bonds Guarantor**”). Covered Bonds are issued pursuant to Article 7-bis of Law No. 130 of 30 April 1999 (as amended, the “**Law 130**”), Decree of the Ministry for the Economy and Finance of 14 December 2006 No. 310 (“**MEF Decree**”) and the supervisory instructions of the Bank of Italy of 17 May 2007 (the “**BoI OBG Regulations**” and jointly with Law 130 and MEF Decree, the “**OBG Regulations**”).
- (b) *Final Terms:* Covered Bonds are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”). Each Series is the subject of final terms (the “**Final Terms**”) which supplements these Conditions. The terms and conditions applicable to any particular Series of Covered Bonds are these Conditions as supplemented, amended and/or replaced 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 Bonds Guarantee:* Each Series of Covered Bonds is the subject of a guarantee dated on or about the Initial Issue Date (the “**Covered Bonds Guarantee**”) entered into by the Covered Bonds 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. The Covered Bonds Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to the Covered Bonds Guarantor pursuant to the Master Transfer Agreement (as defined below) and in accordance with the provisions of the Law 130, the MEF Decree and the BoI OBG Regulations.
- (d) *Dealer Agreement and Subscription Agreement:* in respect of each Series of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the Issue Price for the Covered Bonds on the Issue Date under the terms of a dealer agreement dated on or about the Initial Issue Date (the “**Dealer Agreement**”) between the Issuer, the Covered Bonds Guarantor and the dealer(s) named therein (the “**Dealers**”), as supplemented (if applicable) by a subscription agreement entered into between the Issuer, the Covered Bonds Guarantor and the Relevant Dealer(s) (as defined below) on or around the date of the relevant Final Terms (the “**Subscription Agreement**”). In the Dealer Agreement, the Dealer has appointed Finanziaria Internazionale Securitisation Group S.p.A. as representative of the Covered Bondholders (in such capacity, the “**Representative of the**

- Covered Bondholders**”), as described in Condition 14 (*Representative of the Covered Bondholders*).
- (e) *Monte Titoli Mandate Agreement*: In a mandate agreement with Monte Titoli dated on or about the Initial Issue Date (the “**Monte Titoli Mandate Agreement**”), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds.
  - (f) *Master Definition Agreement*: In a master definition agreement dated on or about the Initial Issue Date (the “**Master Definition Agreement**”) between all the parties to each of the Transaction Documents (as defined below), the definitions of certain terms used in the Transaction Documents have been agreed.
  - (g) *The Covered Bonds*: Except where stated otherwise, all subsequent references in these Conditions to “Covered Bonds” are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to “each Series of Covered Bonds” are to (i) the Covered Bonds which are the subject of the relevant Final Terms and (ii) each other Series of Covered Bonds issued under the Programme which remains outstanding from time to time.
  - (h) *Rules of the Organisation of Covered Bondholders*: The Rules of the Organisation of Covered Bondholders are attached to, and form an integral part of, these Conditions. References in these Conditions to the “**Rules of the Organisation of the Covered Bondholders**” include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.
  - (i) *Summaries*: Certain provisions of these Conditions are summaries of the Transaction 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 Transaction Documents applicable to them. Copies of the Transaction Documents are available for inspection by Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of each of the Paying Agents.

## 2 Interpretation

### 2.1 Definitions

In these Conditions the following expressions have the following meanings:

“**Administrative Services Agreement**” means an administrative services agreement entered into on May 20, 2009 between Intesa Sanpaolo as administrative services provider and the Covered Bonds Guarantor;

“**Amortisation Test**” has the meaning given to it in the Portfolio Administration Agreement;

“**Amortisation Test Adjusted Eligible Portfolio**” has the meaning given to it in the Portfolio Administration Agreement;

“**Article 74 Event**” has the meaning given to it in Condition 12(a) (Article 74 Event);

“**Article 74 Notice to Pay**” means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Article 74 Event;

“**Asset Monitor**” means the auditing company appointed as asset monitor in accordance with the Asset Monitor Agreement and any successor thereto;

“**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**” shall include (a) the Interest Available Funds, (b) the Principal Available Funds and (c) following an Issuer Event of Default, the amounts received by the Covered Bonds 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**”).

“**Banking Law**” means Legislative Decree of 1 September 1993, no. 385, as amended and supplemented from time to time;

“**Business Day**” means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in Luxembourg, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

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

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

“**Calculation Agent**” means the company appointed as calculation agent in accordance with the Cash Management and Agency Agreement and the Portfolio Administration Agreement and any successor thereto;

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

“**Cash Management and Agency Agreement**” means the Cash Management and Agency Agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Cash Manager, the Receivables Collection Account Bank, the Account Bank, the Servicer, the Representative of the Covered Bondholders, the Calculation Agent, the Luxembourg Listing Agent and the Paying Agent;

“**Cash Manager**” means Intesa Sanpaolo S.p.A. acting as such pursuant to the Cash Management and Agency Agreement;

“**CB Hedging Counterparty**” means the party acting as hedging counterparty in accordance with the CB Swap and any successor thereof.

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

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

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

“**CB Swap**” means the swap agreement entered into on or about the Initial Issued Date between the Covered Bonds Guarantor and the CB Hedging Counterparty for hedging the interest rate risk on the Covered Bonds;

“**Clearstream**” means Clearstream Banking, société anonyme, Luxembourg;

“**CONSOB**” means *Commissione Nazionale per le Società e la Borsa*;

“**Covered Bondholders**” means the holders of Covered Bonds, from time to time;

“**Covered Bonds Guarantor**” means ISP CB Pubblico S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy pursuant to article 7 *bis* of Law 130, whose registered office is at Via Monte di Pietà 8, Milan, Italy, share capital Euro 120,000.00, enrolled with the Companies Register of Milan, under No. 05936150969, and in the general list of financial intermediaries held by *Unità di Informazione Finanziaria* established at the Bank of Italy under No. 40387, pursuant to Article 106 of the Banking Law.

“**Covered Bonds Guarantor Acceleration Notice**” means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of any of the Covered Bonds Guarantor Events of Default;

“**Covered Bonds Guarantor Event of Default**” has the meaning given to it in Condition 12(e) (*Covered Bonds Guarantor Events of Default*);

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



- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
- (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the 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 (Fixed rate)**” (in respect of Condition 5 (*Fixed Rate Provisions*)) is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (vi) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the CB Interest Period divided by 365 or, in the case of a CB Payment Date falling in a leap year, 366;
- (vii) if “**30/360 (Floating Rate)**” (in respect of Condition 6 (*Floating Rate and Index-Linked or Other Variable-Linked Interest Provisions*)) is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30”;

- (viii) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30; and

- (ix) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case

D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> 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;

“**Due for Payment Date**” has the meaning given to such expression under the Covered Bonds Guarantee.

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

“**Early Redemption Date**” means, as applicable, the Optional Redemption Date (Call), the Optional Redemption Date (Put) or the date on which any Series of Covered Bonds is to be redeemed pursuant to Condition 9(c) (*Redemption for tax reasons*);

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

“**Euroclear**” means Euroclear Bank S.A./N.V.;

“**Extension Determination Date**” means the date falling four Business Days prior to the Maturity Date;

“**Extended Maturity Date**” means, in relation to any Series of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 9(b) (*Extension of maturity*).

“**Extendable Maturity**” has the meaning given to such expression under Condition 9(b) (*Extension of maturity*).

“**Extraordinary Meeting**” has the meaning given in the Rules of the Organisation of the Covered Bondholders attached to these Conditions;

“**Final Redemption Amount**” means, with respect to a Series of Covered Bonds, the amount, as specified in the applicable Final Terms, representing the amount due (subject to the applicable grace period) in respect of the relevant Series of Covered Bond;

“**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 (i) prior to the service of a Covered Bonds Guarantor Acceleration Notice, with respect to any Due for Payment Date, the sum of amounts equal to the Scheduled Interest and the Scheduled Principal, in each case, payable on that Due for Payment Date, or (ii) after the service of a Covered Bonds Guarantor Acceleration Notice, an amount equal to the relevant Early Redemption Amount (as defined and specified in the Conditions) *plus* all accrued and unpaid interest and all other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts and all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Covered Bonds Guarantor under the Transaction Documents, provided that any Guaranteed Amounts representing interest paid after the Maturity Date shall be paid on such dates and at such rates as specified in the relevant Final Terms. The Guaranteed Amounts include any Guaranteed Amount that was timely paid by or on behalf of the Issuer to the Covered Bondholders to the extent it has been clawed back and recovered from the Covered Bondholders by the receiver or liquidator, in bankruptcy or other insolvency or similar official

for the Issuer named or identified in the Order, and has not been paid or recovered from any other source (the “**Clawed Back Amounts**”). In each case the Guaranteed Amounts does not include any additional amounts payable under Condition 11(a) (*Gross up*);

“**Guarantor Payment Date**” means 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day or, following the occurrence of a Covered Bonds Guarantor Event of Default, the earlier of (i) each Business Day falling 10 Business Days after the Business Day on which an amount at least equal to 10 per cent. of the aggregate Outstanding Principal Balance of all Series of Covered Bonds is standing to the credit of the Transaction Account and the Investment Account, and (ii) 31 March and 30 September of each year, or, if any such day is not a Business Day, the following Business Day, provided that the first Guarantor Payment Date shall be 31 March 2010.

“**Hard Bullet Covered Bonds**” means the Series of Covered Bonds in relation to which no Extended Maturity Date is specified in the relevant Final Terms, and the Final Redemption Amount in respect to such Series will be due for payment on the Maturity Date and the Pre-Maturity Liquidity Test shall apply;

“**Hedging Senior Payment**” means, on any relevant date, any interest and/or principal payment due under any CB Swap or TBG Swap, as the case may be, including any termination payment arising out of a termination event, other than termination payments where the relevant Hedging Counterparty is the defaulting party or the sole affected party, but including, in any event, the amount of any termination payment due and payable to the relevant Hedging Counterparty in relation to the termination of the relevant swap transactions to the extent of any premium received (net of any costs reasonably incurred by the Covered Bonds Guarantor to find a replacement swap counterparty), if any, by the Covered Bonds Guarantor from a replacement swap counterparty in consideration for entering into swap transactions with the Covered Bonds Guarantor on the same terms as the relevant CB Swaps or TBG Swaps. With respect to the *Additional Provisions* “Mark to Market Payment” in the TBG Swaps, any payment under this clause will be part of the Hedging Senior Payments for an amount up to the difference on each Guarantor Payment Date between the purchase price paid by any purchaser/s of the Selected Asset and the Outstanding Principal Balance of the Public Assets and Integration Assets sold to such purchaser/s.

“**Initial Issue Date**” means the date on which the Issuer will issue the first Series of Covered Bonds.

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

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

- disputed in good faith with a reasonable prospect of success; or
- (iii) such company or corporation takes any action for a 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 Covered Bonds Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments; or
  - (iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation or any of the events under Article 2448 of the Italian Civil Code occurs with respect to such company or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or
  - (v) such company or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business;

**“Intercreditor Agreement”** means the agreement entered into on or about the Initial Issue Date between, *inter alios*, the Covered Bonds Guarantor, the Servicer, the Issuer, the Calculation Agent, the Representative of the Covered Bondholders and the other Secured Creditors ;

**“Interest Amount”** means, in relation to any Series of Covered Bonds and a CB Interest Period, the amount of interest payable in respect of that Series for that CB Interest Period;

**“Interest Available Funds”** has the meaning ascribed to such expression under the Master Definition Agreement.

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

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

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

**“Issue Date”** has the meaning given in the relevant Final Terms;

**“Issuer Event of Default”** has the meaning given to it in Condition 12(c) (*Issuer Event of Default*);

**“Long Dated Covered Bonds”** means any Covered Bond issued by the Issuer in respect of which the Extended Maturity Date is set at the Long Date Due for Payment Date and identified as such in the relevant Final Terms;

**“Long Date Due For Payment Date”** means the CB Payment Date immediately following the tenth anniversary of the last Maturity Date of the Public Asset or Integration Asset contained in the Portfolio;

**“Margin”** has the meaning given in the relevant Final Terms;

**“Master Transfer Agreement”** means the master transfer agreement entered into on May 20, 2009 between the Seller and the Covered Bonds Guarantor;

**“Maturity Date”** has the meaning given in the relevant Final Terms;

**“Maximum Redemption Amount”** has the meaning given in the relevant Final Terms;

**“Minimum Redemption Amount”** has the meaning given in the relevant Final Terms;

“**Minimum Required Account Bank Rating**” has the meaning ascribed to such expression in the Master Definition Agreement;

“**Minimum Required Pre-Maturity Liquidity Guarantor Rating**” has the meaning ascribed to such expression in the Master Definition Agreement.

“**Monte Titoli**” means Monte Titoli S.p.A. a joint stock company under the laws of the Republic of Italy, whose registered office is at Via Mantegna 6, Milan, Italy, incorporated with Fiscal Code and VAT number 03638780159, registered with the Milan Register of Enterprises under number 03638780159.

“**Monte Titoli Account Holders**” means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by the Relevant Clearing System;

“**Notice to Pay**” means the notice to be served by the Representative of the Covered Bondholders on the Covered Bonds Guarantor pursuant to the Intercreditor Agreement upon the occurrence of an Issuer Event of Default;

“**Official Gazette**” means *La Gazzetta Ufficiale della Repubblica Italiana*;

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

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

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

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

“**Outstanding Principal Balance**” means, at any date, in relation to a loan, a bond, a Series of Covered Bonds or any other asset the aggregate nominal principal amount outstanding of such loan, bond, Series of Covered Bonds or asset at such date.

“**Outstanding Principal Balance of the Covered Bonds**” means the Outstanding Principal Balance of the outstanding Series of Covered Bonds.

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

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

“**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 Administration Agreement**” means the portfolio administration agreement entered into on or about the Initial Issue Date between, *inter alios*, the Issuer, the Seller, the Covered

Bonds Guarantor, the Representative of the Covered Bondholders and the Calculation Agent;

**“Post-Guarantor Default Priority of Payments”** has the meaning ascribed to such expression in the Intercreditor Agreement.

**“Post-Issuer Default Priority of Payments”** has the meaning ascribed to such expression in the Intercreditor Agreement.

**“Pre-Issuer Default Interest Priority of Payments”** has the meaning ascribed to such expression in the Intercreditor Agreement.

**“Pre-Issuer Default Principal Priority of Payments”** has the meaning ascribed to such expression in the Intercreditor Agreement.

**“Pre-Maturity Liquidity Required Ratings”** has the meaning ascribed to such expression in the Master Definition Agreement.

**“Pre-Maturity Rating Period”** means the period of 12 months preceding the Maturity Date of any Series of Hard Bullet Covered Bonds.

**“Pre-Maturity Test Account”** means the account or the accounts to be opened by the Issuer for making deposits in any form in order to remedy a breach of the Pre-Maturity Liquidity Test.

**“Principal Available Funds”** has the meaning ascribed to such expression under the Master Definition Agreement.

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

**“Priorities of Payments”** means, collectively, the Pre-Issuer Default Principal Priority of Payment, the Pre-Issuer Default Interest Priority of Payment, the Post-Issuer Default Priority of Payments and the Post-Guarantor Default Priority of Payments.

**“Public Assets”** means any Public Asset (as defined in the Master Definition Agreement) which is sold and assigned by the Seller to the Covered Bonds Guarantor from time to time under the terms of the Master Transfer Agreement;

**“Put Option Notice”** means a notice which must be delivered to the Paying Agent, the Calculation Agent and the Asset Monitor by the Representative of the Covered Bondholders on behalf of any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**“Put Option Receipt”** means a receipt issued by the Paying Agent to a depositing Covered Bondholder upon deposit of Covered Bonds with such Paying Agent by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**“Quotaholders’ Agreement”** means the quotaholder agreement executed on or about the Initial Issue Date by, *inter alia*, the Issuer and Stichting Viridis 2;

**“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;

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

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

“**Reference Price**” has the meaning given in the relevant Final Terms;

“**Reference Rate**” has the meaning given in the relevant Final Terms;

“**Regular Period**” means:

- (i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first 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, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made;

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

“**Relevant Dealer(s)**” means, in relation to a Series, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Covered Bonds Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Series pursuant to the Dealer 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;

“**Scheduled Due for Payment Date**” means:



- (c) (A) the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts is reached, and (B) only with respect to the first Scheduled Payment Date immediately after the occurrence of an Article 74 Event or an Issuer Event of Default, the day which is two Business Days following service, respectively, of the Article 74 Notice to Pay (which has not been withdrawn) or the Notice to Pay on the Covered Bonds Guarantor in respect of such Guaranteed Amounts, if such Article 74 Notice to Pay or Notice to Pay has not been served more than two Business Days prior to the relevant Scheduled Payment Date; or
- (d) if the applicable Final Terms specified that an Extended Maturity Date is applicable to the relevant series of Covered Bonds, the CB Payment Date that would have applied if the Maturity Date of such series of Covered Bonds had been the Extended Maturity Date or such other CB Payment Date(s) as specified in the relevant Final Terms.

“**Scheduled Interest**” means an amount equal to the amount in respect of interest which would have been due and payable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to premiums, default interest or interest upon interest: the “**Excluded Scheduled Interest Amounts**”), but including such Excluded Scheduled Interest Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or Extended Maturity Date (if so specified in the relevant Final Terms) or where applicable, after the Maturity Date such other amounts of interest as may be specified in the relevant Final Terms, *less* any additional amounts the Issuer would be obliged to pay as result of any gross-up in respect of any withholding or deduction made under the circumstances set out in the Conditions.

“**Scheduled Principal**” means an amount equal to the amount in respect of principal which would have been due and repayable by the Issuer under the Covered Bonds, on each CB Payment Dates as specified in the Conditions falling on or after service of an Article 74 Notice to Pay (which has not been withdrawn) or a Notice to Pay to the Covered Bonds Guarantor (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, or premiums: the “**Excluded Scheduled Principal Amounts**”), but including such Excluded Scheduled Principal Amounts (whenever the same arose) following service of a Covered Bonds Guarantor Acceleration Notice if the Covered Bonds had not become due and repayable prior to their Maturity Date or, if in accordance with the Final Terms an Extended Maturity Date is applied to such Series, the Extended Maturity Date of such Series.

“**Secured Creditors**” has the meaning given in the Master Definition Agreement;

“**Selected Assets**” has the meaning given in the Master Definition Agreement;

“**Seller**” means BIIS in its capacity as such pursuant to the Master Transfer Agreement;

“**Servicer**” means BIIS in its capacity as such pursuant to the Servicing Agreement;

“**Servicing Agreement**” means the agreement entered into on May 20, 2009 between the Covered Bonds Guarantor and the Servicer;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” means with reference to the Paying Agent, Piazza del Calendario No. 3, 20126, Milan, Italy, or such other office in the same city or town as the Paying Agent may specify by notice to the Issuer and the other parties to the Cash Management and Agency Agreement in the manner provided therein;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Subordinated Loan Agreement**” means the subordinated loan agreement entered into on May

20, 2009 between the Subordinated Loan Provider and the Covered Bonds Guarantor, as amended and supplemented from time to time;

“**Subordinated Loan Provider**” means BIIS, and any successor thereof, appointed as subordinated loan provider in accordance with the Subordinated Loan Agreement;

“**Subsidiary**” has the meaning given to it in Article 2359 of the Italian Civil Code;

“**Swap Agreements**” means collectively the CB Swaps and the TBG Swaps;

“**TARGET Settlement Day**” means any day on which TARGET2 (the Trans-European Automated Real-Time Gross Settlement Express Transfer system) is open;

“**TBG 1 Hedging Counterparty**” means the bank appointed as hedging counterparty in accordance with the TBG 1 Swap and any successor thereof;

“**TBG 2 Hedging Counterparty**” means the bank appointed as hedging counterparty in accordance with the TBG 2 Swap and any successor thereof;

“**TBG Hedging Counterparties**” means jointly the TBG 1 Hedging Counterparty and the TBG 2 Hedging Counterparty;

“**TBG 1 Swap**” means the swap agreement entered into on or about the Initial Issue Date between the Covered Bonds Guarantor and the TBG 1 Hedging Counterparty;

“**TBG 2 Swap**” means the swap agreement entered into on or about the Initial Issue Date between the Covered Bonds Guarantor and the TBG 2 Hedging Counterparty;

“**TBG Swaps**” means jointly the TBG 1 Swap and the TBG 2 Swap;

“**Tests**” means jointly the Asset Coverage Test, the Amortisation Test, the NPV Test and the Interest Coverage Test as respectively defined under the Portfolio Administration Agreement;

“**Transaction Documents**” means collectively the Master Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement, the Intercreditor Agreement, the Portfolio Administration Agreement, the Administrative Services Agreement, the Subordinated Loan Agreement, the Covered Bonds Guarantee, the Cash Management and Agency Agreement, the Asset Monitor Agreement, the Dealer Agreement, the Subscription Agreements, the Quotaholders’ Agreement, the Deed of Pledge, the Deed of Charge, the Swap Agreements, the Master Definition Agreement, the Conditions, the Final Terms and any document or agreement which supplement, amend or restate the content of any of the above mentioned documents and any other documents designated as such by the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;

“**Warranty and Indemnity Agreement**” means the warranty and indemnity agreement entered into on May 20, 2009 between the Seller and the Covered Bonds Guarantor, as amended and supplemented from time to time; and

“**Zero Coupon Covered Bond**” means a Covered Bond specified as such in the relevant Final Terms.

## 2.2 *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 11 (*Taxation*), any premium payable in respect of a Series of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in

the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Covered Bonds;

- (iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;
- (v) any reference to a party to a Transaction Document (other than the Issuer and the Covered Bonds Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Transaction Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Series only; and
- (vi) any reference in any Italian legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

### **3 Form, Denomination and Title**

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination 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 28 of Italian legislative decree No. 213 of 24 June 1998, through the authorised institutions listed in Article 30 of such legislative decree. The Covered Bonds will at all times be evidenced by, and title thereto will be transferable by means of, book-entries in accordance with the provisions of Article 28 of Italian Legislative Decree No. 213 of 24 June 1998, the Financial Law and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with 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 Covered Bonds Guarantor on their behalf.
- (b) *Status of the Covered Bonds 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 Covered Bonds Guarantor in the Covered Bonds Guarantee. However, the Covered Bonds Guarantor shall have no obligation under the Covered Bonds Guarantee to pay any Guaranteed Amount on the Due for Payment Date until the occurrence of an Article 74 Event or an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Covered Bonds Guarantor of an Article 74 Notice to Pay or a Notice to Pay.
- (c) *Priority of Payments.* Amounts due by the Covered Bonds Guarantor pursuant to the Covered Bonds Guarantee shall be paid in accordance with the Priority of Payments, as

set out in the Intercreditor Agreement.

Any payment made by the Covered Bonds Guarantor shall discharge the corresponding obligations of the Issuer under the Covered Bonds *vis-à-vis* the Covered Bondholders.

## **5 Fixed Rate Provisions**

- (a) *Application:* This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Covered Bonds bear interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate of Interest. Interest will be payable in arrear on each CB Payment Date, subject as provided in Condition 10 (*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 Paying Agent 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 and Index-Linked or Other Variable-Linked Interest Provisions**

- (a) *Application:* This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions or the Index-Linked or Other Variable-Linked Interest Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* Each Covered Bond bears interest on its Outstanding Principal Balance from (and including) the Interest Commencement Date at the Rate of Interest payable in arrear on each CB Payment Date, subject as provided in Condition 10 (*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 Paying Agent 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 Paying Agent on the following basis:

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

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

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

relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that CB Interest Period or (B) in any other case, as specified in the relevant Final Terms.

- (e) *Index-Linked or Other Variable-Linked Interest:* If the Index-Linked or Other Variable-Linked Interest Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Covered Bonds for each CB Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each CB Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such CB Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such CB Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) *Calculation of other amounts:* If the relevant Final Terms specifies that any other amount is to be calculated by the Paying Agent, then the 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 Paying Agent in the manner specified in the relevant Final Terms.
- (i) *Publication:* The 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 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 Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant CB Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the 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.
- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Paying Agent will (in the absence of manifest error) be binding on the Issuer, the Covered Bonds Guarantor, the Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **7 Zero Coupon Provisions**

- (a) *Application:* This Condition 7 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

- (b) *Late payment on Zero Coupon Covered Bonds:* If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Paying Agent 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).

## **8 Dual Currency Provisions**

- (a) *Application:* This Condition 8 is applicable to the Covered Bonds only if the Dual Currency Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

## **9 Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed or purchased and cancelled as specified below, the Covered Bonds of each Series will be redeemed at their Final Redemption Amount on the relevant Maturity Date, subject as provided in Condition 9(b) (*Extension of maturity*) and Condition 10 (*Payments*). If an Extended Maturity Date is not specified as applicable in the relevant Final Terms for a Series of Covered Bonds, Condition 9(m) (*Pre-Maturity Liquidity Test*) shall apply.

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

- (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 an Article 74 Event or an Issuer Event of Default has occurred, following the service respectively of an Article 74 Notice to Pay or a Notice to Pay on the Covered Bonds Guarantor, the Covered Bonds Guarantor or the Calculation Agent on its behalf determines that the Covered Bonds Guarantor has insufficient Available Funds under the relevant Priorities of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Covered Bonds Guarantor under the Covered Bonds 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 Covered Bonds Guarantor on any CB Payment Date thereafter up to (and including) the relevant Extended Maturity Date (the “**Extendable Maturity**”). Notwithstanding the above, if the Covered Bonds are extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and withdrawal of the Article 74 Notice to Pay, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an Extendable Maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month in which the Article 74

Notice to Pay has been withdrawn.

The Covered Bonds Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 19 (*Notices*), any relevant Hedging Counterparties, the Rating Agency, the Representative of the Covered Bondholders and the Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the relevant Maturity Date of any inability of the Covered Bonds Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bonds Guarantee. Any failure by the Covered Bonds 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 Covered Bonds Guarantor shall on the relevant Due for Payment Date, pursuant to the Covered Bonds Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priorities of Payments) *pro rata* in payment of an amount equal to the Final Redemption Amount in respect of the relevant Series of Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Covered Bonds Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid on such Due for Payment Date shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date following the Maturity Date up to the Extended Maturity Date (inclusive).

Where an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and applied, failure to pay on the Maturity Date by the Covered Bonds Guarantor shall not constitute a Covered Bonds Guarantor Event of Default.

- (c) *Redemption for tax reasons:* The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:
- (i) at any time (if neither the Floating Rate Provisions nor the Index-Linked or Other Variable-Linked Interest Provisions are specified in the relevant Final Terms as being applicable); or
  - (ii) on any CB Payment Date (if the Floating Rate Provisions or the Index-Linked or Other Variable-Linked Interest Provisions are specified in the relevant Final Terms as being applicable),

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

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Series of Covered Bonds; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

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

- (1) where the Covered Bonds may be redeemed at any time, 90 days prior to the



earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

- (2) where the Covered Bonds may be redeemed only on an CB Payment Date, 60 days prior to the CB Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Paying Agent with copy to the Luxembourg Listing Agent and the Representative of the Covered Bondholders a certificate signed by duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and such evidence shall be sufficient to the Paying Agent and the Representative of the Covered Bondholders and conclusive and binding on the Covered Bondholders. Upon the expiry of any such notice as is referred to in this Condition 9(c), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 9(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:* If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Covered Bondholders referred to in Condition 9(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 9(f), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Paying Agent a duly completed Put Option Notice in the form obtainable from the Paying Agent. The Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. Once deposited in accordance with this Condition 7(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 relevant Paying Agent shall mail notification thereof to the Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by a Paying Agent in accordance with this Condition 9(f), the Covered Bondholder and not such Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 9(a) (*Scheduled redemption*) to (f) (*Redemption at the option of Covered Bondholders*) above.
- (h) *Early redemption of Zero Coupon Covered Bonds:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase:* The Issuer or any of its Subsidiaries (other than the Covered Bonds Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Covered Bonds Guarantor shall not purchase any Covered Bonds at any time.
- (j) *Legislative Exchange:* Following the coming into force in Italy, at any time after the Issue Date, of (i) any legislation similar to the OBG Regulation in force in any other European Union country or (ii) any rules, regulations or guidelines published by any governmental authority that provides for bonds issued by Italian issuers to qualify for the same benefits available to covered bonds issued under covered bond legislation in force in any other European Union country, the Issuer may, at its option and without the consent of the Representative of the Covered Bondholders, exchange all (but not some only) of the Covered Bonds of all Series then outstanding (the “**Existing Covered Bonds**”) for new Covered Bonds which qualify as covered bonds under such new legislation, rules, regulations or guidelines (the “**New Covered Bonds**”) on the same economic terms and conditions as the Existing Covered Bonds (the “**Legislative Exchange**”) if not more than 60 nor less than 30 days’ notice to the Covered Bondholders (in accordance with Condition 19 (*Notices*)) and the Representative of the Covered Bondholders is given and provided that:
  - (i) on the date on which such notice expires the Issuer delivers to the Representative of the Covered Bondholders a certificate signed by two authorised signatories of each of the Issuer and the Covered Bonds Guarantor confirming that, in the case of the Issuer, no Issuer Event of Default and, in the case of the Covered Bonds Guarantor, no Covered Bonds Guarantor Event of Default, has occurred which is continuing;
  - (ii) the Rating Agency then rating the Existing Covered Bonds has confirmed in writing that the New Covered Bonds will be assigned the same ratings as are then applicable to the Existing Covered Bonds; and

- (iii) if the Existing Covered Bonds are listed, quoted and/or traded on or by a competent and/or relevant listing authority, stock exchange and/or quotation system on or before the date on which such notice expires the Issuer delivers to the Representative of the Covered Bondholders a certificate signed by two authorised signatories of the Issuer confirming that all applicable rules of such competent and/or relevant listing authority, stock exchange and/or quotation system have been or will be complied with.

The Existing Covered Bonds will be cancelled concurrently with the issue of the New Covered Bonds and with effect on and from the date of issue thereof all references herein to Covered Bonds shall be deemed to be references to the New Covered Bonds.

- (k) *Redemption due to illegality:* The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders and the Paying Agent and, in accordance with Condition 19 (*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, 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.

Covered Bonds redeemed pursuant to this Condition 9(k) will be redeemed at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

- (l) *Pre-Maturity Liquidity Test.* If an Extended Maturity Date is not specified as applicable in the relevant Final Terms for a Series of Covered Bonds, on any Business Day (each the “**Pre-Maturity Liquidity Test Date**”) falling during the Pre-Maturity Rating Period prior to the occurrence of an Issuer Event of Default, the Calculation Agent will determine if the Pre-Maturity Liquidity Test (as defined below) has been breached, and if so, it shall immediately notify the Issuer, the Seller, the Hedging Counterparty and the Representative of Covered Bondholders.

For the purpose of this paragraph the “**Pre-Maturity Liquidity Test**” is complied with on any Pre-Maturity Liquidity Test Date if, during the Pre-Maturity Rating Period, all of the Issuer’s credit ratings are equal to or greater than the Pre-Maturity Liquidity Required Ratings.

Following a breach of a Pre-Maturity Liquidity Test in respect of a Series of Covered Bonds:

- (i) the Issuer shall:
  - (a) make a cash deposit for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates on the Pre-Maturity Test Account, opened in its name with a bank whose ratings are at least equal to the Minimum Required Account Bank Ratings provided for under the Transaction Documents and pledged in favour of the Covered Bondholders; and/or
  - (b) obtain a first demand, autonomous guarantee (meeting the criteria set forth by the Rating Agency) for an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates, by an eligible entity whose ratings are at least equal to the Minimum Required Pre-

Maturity Liquidity Guarantor Ratings; and/or

- (c) take action in the form of a combination of the foregoing which in aggregate adding up to an amount equal to the Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates;

and/or

- (ii) the Covered Bonds Guarantor shall direct the Servicer to sell Selected Assets in accordance with the procedures set out in the Portfolio Administration Agreement, for an amount equal to the Adjusted Required Redemption Amount of the Series of Hard Bullet Covered Bonds to which such Pre-Maturity Liquidity Test relates.

## **10 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 Paying Agent on behalf of the Issuer or the Covered Bonds 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 11 (*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.

## **11 Taxation**

- (a) *Gross up by Issuer:* All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:
  - (i) in respect to any payment or deduction of any interest or principal on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Legislation Decree No. 239 of 1 April 1996, as amended (“**Decree No. 239**”) with respect to any Covered Bonds or, for the avoidance of doubt, Italian Legislative Decree No. 461 of November 21, 1997 (as amended by Italian Legislative Decree No.

201 of June 16, 1998) (as any of the same may be amended or supplemented) or any related implementing regulations, and in all circumstances in which the procedures set forth in Decree No 239 in order to benefit from a tax exemption 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) with respect to any Covered Bond presented for payments:
    - (a) in the Republic of Italy; or
    - (b) by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond by reason of his having some connection with the Republic of Italy other than the mere holding of such Covered Bond; or
    - (c) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Covered Bond by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or
    - (d) more than 30 days after the Maturity Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Covered Bond for payment on such thirtieth day assuming that day to have been a Business Day; or
    - (e) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a tax haven country (as defined and listed in the Ministry of Finance Decree of January 23, 2002 as amended from time to time) or which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or
    - (f) in respect of any Covered Bond having an original maturity of less than eighteen months where such withholding or deduction is required pursuant to Presidential Decree No. 600 of 29 September 1973, as amended or supplemented from time to time; or
    - (g) in respect of Covered Bonds classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of September 30, 1983, as amended and supplemented from time to time; or
  - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (iv) held by or on behalf of a Covered Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to a Paying Agent in another Member State of the EU.
- (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.

## **12 Article 74 Event and Events of Default**

- (a) *Article 74 Event*

If a resolution pursuant to Article 74 of the Banking Law is issued in respect of the Issuer (“**Article 74 Event**”), the Representative of the Covered Bondholders will serve a notice (the “**Article 74 Notice to Pay**”) on the Covered Bonds Guarantor that an Article 74 Event has occurred.

(b) *Effect of an Article 74 Notice to Pay*

Upon service of an Article 74 Notice to Pay upon the Covered Bonds Guarantor:

- (i) *Acceleration against the Issuer:* each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) pursuant to the Covered Bonds Guarantee, the Covered Bonds Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Default Priority of Payments and within the suspension period, on the relevant Scheduled Due for Payment Date, (iii) in accordance with terms and conditions provided for by the Covered Bonds Guarantee and with Article 4, Para. 4, of MEF Decree, the Covered Bonds Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the suspension period and (iv) upon the termination of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer);
- (ii) *Delegation:* the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bonds Guarantee, in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bonds Guarantor – to the Covered Bonds Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.  
  
In accordance with the Covered Bonds Guarantee, the Representative of the Covered Bondholders on behalf of the Covered Bondholders has confirmed such delegation and waived any rights of the Covered Bondholders to revoke such delegation and take any such individual action against the Issuer.
- (iii) *Covered Bonds Guarantee:* without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Covered Bonds Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bonds Guarantee and the priority of payments to creditors set out in the Intercreditor Agreement;
- (iv) *Tests:* the Tests shall continue to be applied; and
- (v) *Pre-Maturity Liquidity Test:* the Pre-Maturity Liquidity Test shall be deemed to be failed with respect to any Hard Bullet Covered Bonds for which the Maturity Date falls within 12 months.

Upon the termination of the suspension period, the Issuer shall resume responsibility for

meeting the payment obligations under the Covered Bonds (and for the avoidance of doubt, the Covered Bonds then outstanding will not be deemed to have been accelerated against the Issuer).

(c) *Issuer Events of Default:*

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

- (i) default is made by the Issuer for a period of 7 days or more in the payment of any principal or redemption amount, or for a period of 14 days or more in the payment of any interest on the Covered Bonds of any Series when due; or
- (ii) the Issuer is in breach of material obligations under or in respect of the Covered Bonds (of any Series 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 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) an Insolvency Event (as defined in the Conditions) occurs in respect of the Issuer;
- (iv) in relation to Hard Bullet Covered Bonds, breach of the Pre-Maturity Liquidity Test which is not remedied by the earlier of:
  - (a) 20 Business Days from the date on which the Issuer is notified of the breach of the Pre-Maturity Liquidity Test; and
  - (b) the Maturity Date of that Series of Covered Bonds;
- (v) breach of the Tests which is not remedied within 6 months from the notification of the occurrence of such breach.

If an Issuer Event of Default occurs:

- (a) the Representative of the Covered Bondholders will serve a notice (the “**Notice to Pay**”) on the Issuer and Covered Bonds Guarantor that an Issuer Event of Default has occurred;
- (b) each Series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) in accordance with Article 4, Paragraph 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall be solely responsible for the exercise of the rights of the Covered Bondholders *vis-à-vis* the Issuer;
- (c) the Covered Bonds Guarantor will pay any amounts due under the Covered Bonds on the Due for Payment Date in accordance with (b) above (See Section “*Covered Bonds Guarantee*”);
- (d) the Tests, shall continue to be applied.

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

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

- (i) *Acceleration against the Issuer:* each series of Covered Bonds will accelerate against the Issuer and they will rank *pari passu* amongst themselves against the Issuer, provided that (i) such events shall not trigger an acceleration against the Covered Bonds Guarantor, (ii) pursuant to the Covered Bonds Guarantee, the

Covered Bonds Guarantor shall pay an amount equal to the Guaranteed Amounts, subject to and in accordance with the Post-Issuer Default Priority of Payments, on the relevant Scheduled Due for Payment Date, (iii) in accordance with terms and conditions provided for by the Covered Bonds Guarantee and with Article 4, Para. 3, of the MEF Decree and pursuant to the relevant provisions of the Transaction Documents, the Covered Bonds Guarantor shall exercise, on an exclusive basis, the rights of the Covered Bondholders *vis-à-vis* the Issuer and any amount recovered from the Issuer will be part of the Available Funds;

- (ii) *Delegation*: the Covered Bonds Guarantor (directly or through the Representative of the Covered Bondholders) shall exercise, on an exclusive basis, the right of the Covered Bondholders *vis-à-vis* the Issuer in accordance with the provisions of the Covered Bonds Guarantee, in the context of which the Covered Bondholders have irrevocably delegated – also in the interest and for the benefit of the Covered Bonds Guarantor – to the Covered Bonds Guarantor the exclusive right to proceed against the Issuer to enforce the performance of any of the payment obligations of the Issuer under the Covered Bonds including any rights of enforcing any acceleration of payment provisions provided under the Conditions or under the applicable legislation. For this purpose the Representative of the Covered Bondholders on behalf of the Covered Bondholders, upon request of the Covered Bonds Guarantor, shall provide the Covered Bonds Guarantor with any powers of attorney and/or mandates as the latter may deem necessary or expedient for taking all necessary steps to ensure the timely and correct performance of its mandate.

In accordance with the Covered Bonds Guarantee, the Representative of the Covered Bondholders on behalf of the Covered Bondholders has confirmed such delegation and waived any rights of the Covered Bondholders to revoke such delegation and take any such individual action against the Issuer.

- (iii) *Covered Bonds Guarantee*: without prejudice to paragraph (i) above, interest and principal falling due on the Covered Bonds will be payable by the Covered Bonds Guarantor at the time and in the manner provided under these Conditions, subject to and in accordance with the terms of the Covered Bonds Guarantee and the priority of payments to creditors set out in the Intercreditor Agreement.
- (iv) *Tests*: the Tests shall continue to be applied.

(e) *Covered Bonds Guarantor Events of Default*:

Following an Issuer Event of Default, if any of the following events (each, a “**Covered Bonds Guarantor Event of Default**”) occurs and is continuing:

- (i) *Non-payment*: the Covered Bonds Guarantor fails to pay any of interest and/or principal due and payable in respect of the relevant Series of Covered Bonds in accordance with the Covered Bonds Guarantee, subject to a period of 7 days cure period in respect of principal or redemption amount and a 14 days cure period in respect of interest payment the Covered Bonds Guarantor, or fails to pay or to set aside for payment of costs or amount due to any Hedging Counterparty; or subject to
- (ii) *Insolvency*: an Insolvency Event occurs with respect to the Covered Bonds Guarantor; or
- (iii) *Breach of other obligation*: a breach of other binding obligations under the Dealer Agreement, the Intercreditor Agreement, the Covered Bonds Guarantee or any other Transaction Document to which the Covered Bonds Guarantor is a party, which is not remedied within 30 days from the date on which the



Covered Bonds Guarantor is notified of such breach; or

- (iv) *Breach of Amortisation Test*: the Amortisation Test is breached;

then the Representative of the Covered Bondholders shall serve a Covered Bonds Guarantor Acceleration Notice on the Covered Bonds Guarantor.

- (f) *Effect of a Covered Bonds Guarantor Acceleration Notice*:

From and including the date on which the Representative of the Covered Bondholders delivers a Covered Bonds Guarantor Acceleration Notice upon the Covered Bonds Guarantor:

- (i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Redemption Amount together, if appropriate, with any accrued interest; *Cross Acceleration*: if a Covered Bonds Guarantor Event of Default is triggered

- (ii) with respect to a Series, each series of Covered Bonds will cross accelerate at the same time against the Covered Bonds Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves; and

- (iii) *Covered Bonds Guarantee*: subject to and in accordance with the terms of the Covered Bonds Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Covered Bonds 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 11(a) (*Gross up*)) in accordance with the priority of payments to creditors set out in the Intercreditor Agreement; and

- (iv) *Enforcement*: subject to the failure of the Covered Bonds Guarantor in taking the necessary actions pursuant to Condition 12(b)(ii) and Condition 12(d)(ii) above, the Representative of the Covered Bondholders on behalf of the Covered Bondholders shall be entitled to take any steps and proceedings against the Issuer to enforce the provisions of the Covered Bonds. The Representative of the Covered Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Covered Bonds Guarantor as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by an Extraordinary Resolution of the Covered Bondholders.

- (g) *Determinations, etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 12 (Article 74 Event and Event of Default) by the Representative of the Covered Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Covered Bonds Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Covered Bonds 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.

### **13 Prescription**

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

### **14 Representative of the 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 Covered Bonds and shall remain in force and in effect until repayment in full or cancellation of

the Covered Bonds. 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 Dealer Agreement, the Dealer has appointed the Representative of the Covered Bondholders to perform the activities described in the Dealer Agreement, in these Conditions (including the Rules of the Organisation of Covered Bondholders), in the Intercreditor Agreement and in the other Transaction Documents, and the Representative of the Covered Bondholders has accepted such appointment for the period commencing on the Initial Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds have been cancelled or redeemed in accordance with these Conditions.
- (c) *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, without prejudice for the provisions set forth under article 1229 of the Italian Civil Code, in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

## 15 Agents

In acting under the Cash Management and Agency Agreement and in connection with the Covered Bonds, the Paying Agent acts solely as agents of the Issuer and, following service of a Notice to Pay or a Covered Bonds Guarantor Acceleration Notice, as agent of the Covered Bonds Guarantor and do not assume in the framework of the Programme any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Paying Agent and its initial Specified Offices are set out in these Conditions. Any additional Paying Agent and its Specified Offices (if any) are specified in the relevant Final Terms. The Issuer, and (where applicable) the Covered Bonds Guarantor, reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint an additional or successor paying agent; *provided, however, that:*

- (a) the Issuer, and (where applicable) the Covered Bonds Guarantor, shall at all times maintain a paying agent; and
- (b) the Issuer, and (where applicable) the Covered Bonds Guarantor, shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer, and (where applicable) the Covered Bonds Guarantor, shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange

and/or quotation system.

Notice of any change in any of the Paying Agent or in its Specified Offices shall promptly be given to the Covered Bondholders.

## **16 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.

## **17 Substitution of the Issuer**

The Representative of the Covered Bondholders may (and in the case of an Approved Reorganisation shall) agree with the Issuer (or any previous substitute) and the Covered Bonds Guarantor at any time without the consent of the Covered Bondholders:

- (d) to the substitution in place of Intesa Sanpaolo (or of any previous substitute) as principal debtor under the Covered Bonds by any bank Subsidiary of Intesa Sanpaolo (the “**Substitute Obligor**”) by way of an Issuer obligation transfer agreement without recourse to the Issuer (*accollo liberatorio*); or
- (e) to an Approved Reorganisation; or
- (f) that Intesa Sanpaolo (or any previous substitute) may, other than by means of an Approved Reorganisation, consolidate with, merge into or amalgamate with any successor company,

provided that:

- (i) the obligations of the Substitute Obligor or the Resulting Entity under the Covered Bonds shall be irrevocably and unconditionally guaranteed by Intesa Sanpaolo (on like terms as to subordination, if applicable, to those of the Covered Bonds Guarantee); and
- (ii) (other than in the case of an Approved Reorganisation) the Representative of the Covered Bondholders is satisfied that the interests of the Covered Bondholders will not be materially prejudiced thereby; and
- (iii) the Substitute Obligor or the Resulting Entity agrees, in form and manner satisfactory to the Representative of the Covered Bondholders, to be bound by the terms and conditions of the Covered Bonds and all the Transaction Documents in respect to any Series of Covered Bonds still outstanding, by means of executing agreements and documents substantially in the same form and substance of the Transaction Documents;
- (iv) the Representative of the Covered Bondholders is satisfied that (a) the Resulting Entity or Substituted Obligor has obtained all governmental and regulatory approvals and consents necessary for its assumption of liability as principal debtor in respect of the Covered Bonds in place of the Issuer (or such previous substitute as aforesaid), and (b) such approvals and consents are, at the time of substitution, Approved Reorganisation or consolidation, merger, amalgamation other than by means of an Approved Reorganisation, as the case may be, in full force and effect.

Upon the assumption of the obligations of the Issuer by a Substitute Obligor or of the Issuer by a Resulting Entity or of an Issuer by a successor company, Intesa Sanpaolo shall have no further liabilities under or in respect of the Covered Bonds.

Any such substitution, Approved Reorganisation or consolidation, merger or amalgamation shall be notified to the Covered Bondholders in accordance with Condition 19 (*Notices*). In the case of a substitution, the relevant Issuer shall notify the Luxembourg Stock Exchange thereof and prepare, or procure the preparation of, a supplement to the Base Prospectus in respect of the Programme.

In connection with the exercise of its powers, authorities or discretions above mentioned: (a) the Representative of the Covered Bondholders shall have regard to the interests of the Covered Bondholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Covered Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and (b) the Representative of the Covered Bondholders shall not be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Covered Bondholders except to the extent already provided for by Condition 11 (*Taxation*).

In these Conditions, “**Approved Reorganisation**” means a solvent and voluntary reorganisation involving, alone or with others, the Issuer, and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise provided that the principal resulting, surviving or transferee entity (a “**Resulting Entity**”) is a banking company and effectively assumes all the obligations of the Issuer under, or in respect of, the Covered Bonds.

## **18 Limited Recourse and Non Petition**

### (a) *Limited Recourse*

The obligations of the Covered Bonds Guarantor under the Covered Bonds Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Covered Bonds Guarantor, collateralised by the Portfolio as provided under Law 130, MEF Decree and the BoI OBG Regulation. The recourse of the Covered Bondholders to the Covered Bonds Guarantor under the Covered Bonds Guarantee will be limited to the assets comprised in the Portfolio subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Covered Bondholders.

### (b) *Non Petition*

Only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bonds Guarantee and/or the relevant securities and no Covered Bondholder shall be entitled to proceed directly against the Covered Bonds Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bonds Guarantee and/or the relevant securities. In particular:

- (i) no Covered Bondholder (nor any person on its behalf) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Covered Bondholders to enforce the Covered Bonds Guarantee and/or the relevant securities or take any proceedings against the Covered Bonds Guarantor to enforce the Covered Bonds Guarantee and/or the relevant securities;
- (ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Covered Bonds Guarantor for the purpose of obtaining payment of any amount due from the Covered Bonds 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 Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Covered Bonds Guarantor; and

- (iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

## **19 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 listed on the Luxembourg Stock Exchange, shall be deemed to have been duly given if published on the website of the Luxembourg Stock Exchange or, if required, of the CSSF and, in any event, if published 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 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 (including any means provided for under Article 16 of Luxembourg law implementing the Prospectus Directive, dated 19 July 2005) 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.

## **20 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.

## **21 Governing Law and Jurisdiction**

- (a) *Governing law:* These Covered Bonds are governed by Italian law. All other Transaction Documents are governed by Italian law, save for the Swap Agreements and the deed of charge relating to such 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 Law 130, BoI OBG Regulations and MEF Decree.

# RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

## TITLE I

### GENERAL PROVISIONS

#### 1. GENERAL

1.1 The Organisation of the Covered Bondholders in respect of each Series of Covered Bonds issued under the Programme by Intesa Sanpaolo S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of each such Series 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.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series issued by the Issuer.

#### 2. DEFINITIONS AND INTERPRETATION

##### 2.1 Definitions

In these Rules, the terms below shall have the following meanings:

“**Block Voting Instruction**” means, in relation to a Meeting, a document issued by the Paying Agent:

- (a) certifying that specified Covered Bonds are held to the order of the Paying Agent or under its control and 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 Paying Agent 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 Paying Agent to the Issuer and Representative of the Covered Bondholders;
- (b) certifying that the Holder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Paying Agent that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;
- (c) listing the total number of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and
- (d) authorising a named individual to vote in accordance with such instructions;

“**Blocked Covered Bonds**” means Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of the Paying Agent for the purpose of obtaining 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 6 (*Chairman of the Meeting*).

“**Currency Swap Rate**” means, in relation to a Covered Bond or Series of Covered

Bonds, the exchange rate specified in the respective currency hedging agreement relating to such Covered Bond or Series of Covered Bonds or, if the respective currency hedging agreement has terminated or is not in place, the applicable exchange rate provided by the Servicer;

“**Event of Default**” means an Issuer Event of Default or a Covered Bonds 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**” 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 30 of Italian Legislative Decree No. 213 of 24 June 1998 and includes any depository banks appointed by the Relevant Clearing System;

“**Ordinary Resolution**” means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50% of the votes cast;

“**Portfolio**” has the meaning given to it in the Master Definition Agreement;

“**Programme Resolution**” means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules to direct the Representative of the Covered Bondholders to take steps and/or institute proceedings against the Issuer or the Covered Bonds Guarantor pursuant to Condition 12(f)(iv) (*Effect of a Covered Bonds Guarantor Acceleration Notice – Enforcement*);

“**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 Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and
- (b) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

“**Rating Agency**” Moody’s Investors Service, to the extent that at the relevant time it provides ratings in respect of the then outstanding Covered Bonds;

“**Resolutions**” means the Ordinary Resolutions and the Extraordinary Resolutions, collectively;

“**Transaction Party**” means any person who is a party to a Transaction 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 Paying Agent or a Proxy named in a Block Voting Instruction;

“**Voting Certificate**” means, in relation to any Meeting:

- (a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or
- (b) a certificate issued by the Paying Agent 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 Paying Agent; and
  - (ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

“**Written Resolution**” means a resolution in writing signed by or on behalf of one or more persons holding or representing at least 75 per cent of the Outstanding Principal Balance of the Covered Bonds, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders;

“**24 hours**” means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in the place where the Paying Agent has its specified office; and

“**48 hours**” means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions.

## 2.2 Interpretation

In these Rules:

- 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 Transaction Document or to which, under such laws, such rights and obligations have been transferred; and
- 2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

## 2.3 Separate Series

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Covered Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Covered Bonds Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Article 2.3:

- 2.3.1 Articles 26 (*Appointment*) and 27 (*Resignation*); and



2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Covered Bonds Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions “Covered Bonds” and “Covered Bondholders” shall be construed accordingly.

### **3. PURPOSE OF THE ORGANISATION OF THE COVERED BONDHOLDERS**

3.1 Each Covered Bondholder is a member of the Organisation of the Covered Bondholders.

3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

## **TITLE II**

### **MEETINGS OF THE COVERED BONDHOLDERS**

#### **4 CONVENING A MEETING**

##### **4.1 Convening a Meeting**

The Representative of the Covered Bondholders, the Covered Bonds Guarantor or the Issuer may convene separate or combined Meetings of the Covered Bondholders at any time and the Representative of the Covered Bondholders shall be obliged to do so upon the request in writing by Covered Bondholders representing at least one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds.

The Representative of the Covered Bondholders, the Covered Bonds Guarantor or the Issuer or (in relation to a meeting for the passing of a Programme Resolution) the Covered Bondholders of any Series may at any time and the Issuer shall upon a request in writing signed by the holders of not less than one-tenth of the aggregate Outstanding Principal Balance of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Representative of the Covered Bondholders or the subject making the request. The Representative of the Covered Bondholders may convene a single meeting of the Covered Bondholders of more than one Series if in the opinion of the Representative of the Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

##### **4.2 Meetings convened by Issuer**

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Covered Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

##### **4.3 Time and place of Meetings**

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Covered Bondholders.

#### **5. NOTICE**

##### **5.1 Notice of Meeting**

At least 21 days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the

Meeting, must be given to the relevant Covered Bondholders and the Paying Agent, with a copy to the Issuer and the Covered Bonds Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders, where the Meeting is convened by the Issuer.

## **5.2 Content of notice**

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that the Voting Certificate for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time and that for the purpose of obtaining Voting Certificates from the Paying Agent or appointing Proxies under a Block Voting Instruction, for the purpose of obtaining Voting Certificates or appointing Proxies under a Block Voting Instruction, Covered Bondholders must (to the satisfaction of the Paying Agent) be held to the order of or placed under the control of the Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

## **5.3 Validity notwithstanding lack of notice**

A Meeting is valid notwithstanding that the formalities required by this Article 5 are not complied with if the Holders of the Covered Bonds constituting the Outstanding Principal Balance of the Covered Bonds, the Holders of which are entitled to attend and vote are represented at such Meeting and the Issuer and the Representative of the Covered Bondholders are present.

# **6. CHAIRMAN OF THE MEETING**

## **6.1 Appointment of Chairman**

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

- 6.1.1 the Representative of the Covered Bondholders fails to make a nomination;  
or
- 6.1.2 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.

## **6.2 Duties of Chairman**

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

## **6.3 Assistance to Chairman**

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Covered Bondholders.

# **7. QUORUM**

The quorum at any Meeting will be:

- 7.1.1 in the case of an Ordinary Resolution, one or more persons holding or representing at

least 25 per cent of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

7.1.2 in the case of an Extraordinary Resolution or a Programme Resolution (subject as provided below), one or more persons holding or representing at least 50 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series for the time being outstanding or, at an adjourned Meeting, one or more persons being or representing Covered Bondholders of the relevant Series for the time being outstanding, whatever the Outstanding Principal Balance of the Covered Bonds so held or represented; or

7.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32 (*Waiver*), 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 Bonds Guarantee, the Deed of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);
- (e) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Covered Bonds Guarantor or any other person or body corporate, formed or to be formed; and
- (f) alteration of this Article 7.1.3;

(each a “**Series Reserved Matter**”), the quorum shall be one or more persons being or representing holders of not less two-thirds of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, one or more persons being or representing not less than one-third of the aggregate Outstanding Principal Balance of the Covered Bonds of such Series for the time being outstanding.

## **8. ADJOURNMENT FOR WANT OF QUORUM**

8.1 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:

8.1.1 if such Meeting was convened upon the request of Covered Bondholders, the Meeting shall be dissolved; and

8.1.2 in any other case, the Meeting shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand

adjourned for such period, being not less than 13 clear days nor more than 42 clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Representative of the Covered Bondholders).

- 8.2 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.

## **9. ADJOURNED MEETING**

Except as provided in Article 8 (*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.

## **10. NOTICE FOLLOWING ADJOURNMENT**

### **10.1 Notice required**

Article 5 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

- 10.1.1 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
- 10.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

### **10.2 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 8 (*Adjournment for Want of Quorum*).

## **11. PARTICIPATION**

The following categories of persons may attend and speak at a Meeting:

- 11.1 Voters;
- 11.2 the directors and the auditors of the Issuer and the Covered Bonds Guarantor;
- 11.3 representatives of the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;
- 11.4 financial advisers to the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders;
- 11.5 legal advisers to the Issuer, the Covered Bonds Guarantor and the Representative of the Covered Bondholders; and
- 11.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered Bondholders.

## **12. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS**

- 12.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by

requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time.

- 12.2 A Covered Bondholder may also obtain from the Paying Agent or require the Paying Agent to issue a Block Voting Instruction by arranging for such Covered Bonds to be (to the satisfaction of the Paying Agent) held to its order or under its control or blocked in an account in the Relevant Clearing System (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.
- 12.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.
- 12.4 So long as a Voting Certificate or Block Voting Instruction is valid, the 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 Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by the Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.
- 12.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.
- 12.6 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.

### **13. VALIDITY OF BLOCK VOTING INSTRUCTIONS**

- 13.1 A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Paying Agent, or at any other place approved by the Representative of the Covered Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to business. If the Representative of the Covered Bondholders so requires, a notarised copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be produced at the Meeting but the Representative of the Covered Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction or the identity of any Holder named in a Voting Certificate issued by a Monte Titoli Account Holder.

### **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

Covered Bonds Guarantor, the Representative of the Covered Bondholders or any one or more Voters, whatever the Outstanding Principal Balance of the Covered Bonds held or represented by such Voter. A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded as at the date of the taking of the poll.

## **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 person who is so present shall have one vote in respect of each €1.00 or such other amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Covered Bondholders in its absolute discretion may stipulate).

### **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 Covered Bonds Guarantor, the Representative of 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 Covered Bonds Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Covered Bondholders and/or any other party thereto;
- 18.2.3 assent to any modification of the provisions of these Rules or the Transaction Documents which shall be proposed by the Issuer, the Covered Bonds Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;
- 18.2.4 in accordance with Article 26 (*Appointment*), appoint and remove the Representative of the Covered Bondholders;
- 18.2.5 subject to the provisions set forth under the Conditions and the Transaction Documents or upon request of the Representative of the Covered Bondholders, authorise the Representative of the Covered Bondholders to issue an Article 74 Notice to Pay as a result of an Article 74 Event pursuant to Condition 12(a) (*Article 74 Event*), a Notice to Pay as a result of an Issuer Event of Default pursuant to Condition 12(c) (*Issuer Event of Default*) or a Covered Bonds Guarantor Acceleration Notice as a result of a Covered Bonds Guarantor Event of Default pursuant to Condition 12(e) (*Covered Bonds Guarantor Event of Default*);
- 18.2.6 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any liability in relation to any act or omission for which the Representative of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

- 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 Transaction Document, if required therein;
- 18.2.9 to appoint any person (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution; 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 steps and/or institute proceedings against the Issuer or the Covered Bonds Guarantor pursuant to Condition 12(f)(iv) (*Effect of a Covered Bonds Guarantor Acceleration Notice- Enforcement*).

### **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 duly convened and held in accordance with these Rules shall be binding upon all Covered Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

### **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 Paying Agent (with a copy to the Issuer, the Covered Bonds 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 Clauses 4 (*Exercise of Rights and Subrogation*) and 11 (*Limited Recourse*) of the Covered Bonds Guarantee and Clause 10 (*Limited Recourse and Non Petition*) of the Intercreditor Agreement and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bonds and the Covered Bonds Guarantee, any such action or remedy shall be subject to a Meeting not passing an Extraordinary Resolution objecting to such individual action or other remedy on the grounds that it is not consistent with such Condition. In this respect, the following provisions shall apply:

- 23.1 the Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention;
- 23.2 the Representative of the Covered Bondholders will, without delay, call a Meeting in accordance with these Rules (including, for the avoidance of doubt, Article 24 (*Choice of Meeting*));
- 23.3 if the Meeting passes an Extraordinary Resolution objecting to the enforcement of the individual action or remedy, the Covered Bondholder will be prevented from taking such action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted for review of another Meeting); and
- 23.4 if the Meeting of Covered Bondholders does not object to an individual action or remedy, the Covered Bondholder will not be prohibited from taking such individual action or remedy.

## **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 Balance of such Covered Bonds shall be the Euro Equivalent of the Currency Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate) of the Outstanding Principal Balance of the Covered Bonds (converted as above) which he holds or represents.

## **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 Extraordinary Resolution of the Covered Bondholders in accordance with the provisions of this Article 26, except for the appointment of Finanziaria Internazionale Securitisation Group S.p.A. as first Representative of the Covered Bondholders which will be appointed under the Dealer Agreement.

### **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 107 of the Banking Law; 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 Extraordinary Resolution of the Covered Bondholders pursuant to Article 18.2 (*Extraordinary 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 Series of 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 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 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 the Covered Bonds shall have been repaid in full or cancelled in accordance with the Conditions. In case of failure by the Issuer to pay the Representative of the Covered Bondholders the fee for its services, the same will be paid by the Covered Bonds Guarantor.

### **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 Covered Bonds 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 Transaction 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 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 Transaction 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, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Covered Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Covered Bonds 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 Covered Bonds 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 Covered Bonds 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 Transaction 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 Transaction 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.

#### **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. Without prejudice to the provisions set forth under Article 33 (*Indemnity*), 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 determine whether or not a

default in the performance by the Issuer or the Covered Bonds Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Covered Bonds Guarantor and any other party to the Transaction 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 Transaction 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 Article 74 Event, an Issuer Event of Default or a Covered Bonds Guarantor Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Covered Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Article 74 Event, Issuer Event of Default or a Covered Bonds 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 Covered Bonds Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Covered Bondholders shall be entitled to assume that the Issuer or the Covered Bonds Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;
- 29.2.3 except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;
- 29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:
  - (i) the nature, status, creditworthiness or solvency of the Issuer or the Covered Bonds Guarantor;
  - (ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in

connection herewith;

- (iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;
  - (iv) the failure by the Covered Bonds Guarantor to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Portfolio; and
  - (v) any accounts, books, records or files maintained by the Issuer, the Covered Bonds Guarantor, the Servicer and the Paying Agent or any other person in respect of the Portfolio 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 Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;
- 29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;
- 29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Covered Bonds Guarantor in relation to the assets contained in the Portfolio 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 Public Assets and Integration Assets contained in the Portfolio or any part thereof;
- 29.2.11 shall not be responsible for reviewing or investigating any report relating to the Portfolio 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 Portfolio 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 Portfolio or any Transaction Document;
- 29.2.14 shall not be under any obligation to insure the Portfolio or any part thereof;
- 29.2.15 shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the 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 of not less than 25 per cent. of the Outstanding Principal Balance of the Covered Bonds of the relevant Series then outstanding;
- 29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Covered Bondholders and the other creditors of the Issuer or the Covered Bonds 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 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Covered Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and
- 29.2.19 shall not be liable or responsible for any Liabilities which may result from anything done or omitted to be done by it in accordance with the provisions of these Rules or the Transaction Documents.

### **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 Covered Bonds 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 Covered Bonds Guarantor, the Representative of the Covered Bondholders or otherwise, and shall not be liable for any loss incurred 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.

### **30.2 Certificates of Issuer and/or Covered Bonds Guarantor**

The Representative of the Covered Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Covered Bonds Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Covered Bonds Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Covered Bonds Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

### **30.3 Resolution or direction of Covered Bondholders**

The Representative of the Covered Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Covered Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Covered Bondholders.

### **30.4 Certificates of Monte Titoli Account Holders**

The Representative of the Covered Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

### **30.5 Clearing Systems**

The Representative of the Covered Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Covered Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

### **30.6 Certificates of parties to Transaction Documents**



The Representative of the Covered Bondholders shall have the right:

30.6.1 to require the Issuer to obtain, written certificates issued by one of the parties to the Intercreditor Agreement, or by any other creditor of the Covered Bonds Guarantor, as to any matter or fact which is *prima facie* within the knowledge of such party or as to such party's opinion with respect to any matter; and

30.6.2 to rely on such written certificates.

The Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or issue and shall not be held responsible for any Liabilities incurred as a result of having failed to do so.

### 30.7 **Rating Agency**

The Representative of the Covered Bondholder shall be entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the holders of Covered Bonds of any Series or of all Series for the time being outstanding if the Rating Agency has confirmed that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise, or have otherwise given their consent. If the Representative of the Covered Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agency as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Covered Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Covered Bondholders or the Representative of the Covered Bondholders may seek and obtain such views itself at the cost of the Issuer.

### 30.8 **Certificates of Parties to Transaction Document**

The Representative of the Covered Bondholders shall have the right to call for or require the Issuer or the Covered Bonds Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Covered Bonds Guarantor) to the Intercreditor Agreement or any other Transaction Document,

30.8.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

30.8.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.8.3 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.

### 30.9 **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 The Representative of the Covered Bondholders may from time to time and without the consent or sanction of the Covered Bondholders concur with the Issuer and/or the Covered Bonds 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 Transaction Documents which in the opinion of the Representative of the Covered Bondholders 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 or the other Transaction Documents which is of a formal, minor or technical nature or, which in the opinion of the Representative of the Covered Bondholders is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders or to comply with mandatory provisions of law.
- 31.2 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 Covered Bonds Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 19 (*Notices*) as soon as practicable thereafter.
- 31.3 In establishing whether an error is established as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers reasonable to rely on, and may, but shall not be obliged to, have regard to all or any of the following:
- 31.3.1 a certificate from a Relevant Dealer, stating the intention of the parties to the relevant Transaction Document, confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention and stating the modification to the relevant Transaction Document that is required to reflect such intention;
  - 31.3.2 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.
- 31.4 The Representative of the Covered Bondholders shall be bound to concur with the Issuer and the Covered Bonds Guarantor and any other party in making any of the above-mentioned modifications if it is so directed by an Extraordinary Resolution or and 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 in its sole direction, without prejudice to its rights in respect of any subsequent breach, condition, event or act, but only if and in so far as in its opinion the interests of the holders of the Covered Bonds then outstanding shall not be materially prejudiced thereby:

- 32.1.1 authorise or waive, on such terms and subject to such conditions (if any) as it may decide, any proposed breach or breach of any of the covenants or provisions contained in the Covered Bonds Guarantee or any of the obligations of or rights against the Covered Bonds Guarantor under any other Transaction Documents; or
- 32.1.2 determine that any Event of Default or Article 74 Event shall not be treated

as such for the purposes of the Transaction Documents,  
without any consent or sanction of the Covered Bondholders.

**32.2 Binding Nature**

Any authorisation, waiver or determination referred in Article 32.1 (*Waiver of Breach*) shall be binding on the Covered Bondholders.

**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 an Extraordinary Resolution of the holders of the Covered Bonds then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent in aggregate Outstanding Principal Balance of the Covered Bonds (in the case of any such determination, with the Covered Bonds of all Series taken together as a single Series as aforesaid), and at all times then only if it shall be indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing but so that no such direction or request:

32.3.1 shall affect any authorisation, waiver or determination previously given or made or

32.3.2 all authorise or waive any such proposed breach or breach relating to a Series Reserved Matter unless holders of Covered Bonds of each Series has, by Extraordinary Resolution, so authorised its exercise.

**32.4 Notice of waiver**

Unless the Representative of the Covered Bondholders agrees otherwise, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Secured Creditors, as soon as practicable after it has been given or made in accordance with Condition 19 (*Notices*).

**33. INDEMNITY**

Pursuant to the Dealer Agreement, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands duly documented and properly incurred by or made against the Representative of the Covered Bondholders, including but not limited to legal expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents.

**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 Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

**TITLE IV**

**THE ORGANISATION OF THE COVERED BONDHOLDERS AFTER SERVICE OF A COVERED BONDS GUARANTOR ACCELERATION NOTICE**

**35. POWERS TO ACT ON BEHALF OF THE COVERED BONDS GUARANTOR**

It is hereby acknowledged that, upon service of a Covered Bonds Guarantor Acceleration Notice or, prior to service of a Covered Bonds Guarantor Acceleration Notice, following the failure of

the Covered Bonds Guarantor to exercise any right to which it is entitled, pursuant to the Intercreditor Agreement the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Secured Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Portfolio. Therefore, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the Intercreditor Agreement, to exercise, in the name and on behalf of the Covered Bonds Guarantor and as *mandatario in rem propriam* of the Covered Bonds Guarantor, any and all of the Covered Bonds Guarantor's Rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

## **TITLE V**

### **GOVERNING LAW AND JURISDICTION**

#### **36. GOVERNING LAW**

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

#### **37. JURISDICTION**

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which, subject to any necessary amendments, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

### Final Terms dated [●]

#### Intesa Sanpaolo S.p.A.

Issue of [Aggregate Nominal Amount of Tranche] [Description] Covered Bonds due [Maturity]

#### Guaranteed by ISP CB Pubblico S.r.l.

under the €10,000,000,000 Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the prospectus dated [●] 2008 [and the supplement[s] to the prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Covered Bonds Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [, including the supplement[s]] [is/are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Base Prospectus Directive.]*

- |    |      |                          |                        |
|----|------|--------------------------|------------------------|
| 1. | (i)  | Issuer:                  | Intesa Sanpaolo S.p.A. |
|    | (ii) | Covered Bonds Guarantor: | ISP CB Pubblico S.r.l. |
| 2. | (i)  | Series Number:           | [●]                    |
|    | (ii) | Tranche Number:          | [●]                    |

*(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible).*

- |    |  |                                   |     |
|----|--|-----------------------------------|-----|
| 3. |  | Specified Currency or Currencies: | [●] |
| 4. |  | Aggregate Nominal Amount:         | [●] |

- (i) Series: [●]
- (ii) Tranche: [●]
5. Issue Price: [●] per cent. of the aggregate nominal amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6. (i) Specified Denominations: [●] [plus integral multiples of [●] in addition to the said sum of [●]] (*Include the wording in square brackets where the Specified Denomination is €50,000 or equivalent plus multiples of a lower principal amount.*)
- (ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [*Specify/Issue Date/Not Applicable*]
8. Maturity Date: [*Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year.*]
9. Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bonds Guarantee: [*Not applicable / Specify date or (for Floating Rate Covered Bonds) CB Payment Date falling in or nearest to the relevant month and year*]
10. Interest Basis: [[●] per cent. Fixed Rate]  
 [[*Specify reference rate*] +/- [*Margin*] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index-Linked or Other Variable-Linked Interest]  
 [Other (*Specify*)]  
 (further particulars specified below)
11. Redemption/Payment Basis: [Redemption at par]  
 [Index-Linked or Other Variable-Linked Redemption]  
 [Dual Currency]  
 [Instalment]  
 [Other (*Specify*)]
12. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/ payment basis*]

13. Put/Call Options: [Not Applicable]  
 [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
14. [Date [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)*
15. Method of distribution: [Syndicated/Non-syndicated]

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

16. **Fixed Rate Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) CB Payment Date(s): [•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the CB Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360/  
 Actual/Actual (ICMA)/  
 Other]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [Not Applicable/give details]
17. **Floating Rate Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) CB Interest Period(s): [•]
- (ii) Specified Period: [•]  
*(Specified Period and CB Payment Dates are alternatives. A Specified Period, rather than CB Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*

- (iii) CB Payment Dates: [●]  
(Specified Period and 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/  
Other (give details)]
- (vi) Additional Business Centre(s): [Not Applicable/give details]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/  
ISDA Determination/  
Other (give details)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
- (ix) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
  - Interest Determination Date(s): [●]
  - Relevant Screen Page: [For example, Reuters LIBOR 01/  
EURIBOR 01]
  - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
  - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum



- (xiv) Day Count Fraction: [Actual/Actual (ICMA)/  
Actual/Actual (ISDA)/  
Actual/365 (Fixed)/  
Actual/360/  
30/360/  
30E/360/  
Eurobond Basis/  
30E/360 (ISDA)]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions: [•]
18. **Zero Coupon Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Any other formula/basis of determining amount payable: [*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 9(h) (Early redemption of Zero Coupon Covered Bonds)*]
19. **Index-Linked or Other Variable-Linked Interest Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [*Give or annex details*]
- (ii) Party responsible for calculating the interest due (if not the Paying Agent): [•]
- (iii) Provisions for determining interest where calculated by reference to Index and/or Formula and/or other variable: [•]
- (vi) Interest Determination Date(s): [•]
- (v) Provisions for determining interest where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]

- (vi) Interest or calculation period(s): [●]
- (vii) 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")*
- (viii) CB Payment Dates: [●]  
*(Specified Period and Specified [●] Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (ix) Business Day Convention: [Floating Rate Convention/  
Following Business Day Convention/  
Modified Following Business Day Convention/  
Preceding Business Day Convention/  
Other (give details)]
- (x) Additional Business Centre(s): [●]
- (xi) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]
20. **Dual Currency Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Paying Agent): [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

## PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of Covered Bonds and method, if any, of calculation of such amount(s): [•] per Calculation Amount
  - (iii) If redeemable in part:
    - Minimum Redemption Amount: [•] per Calculation Amount
    - Maximum Redemption Amount [•] per Calculation Amount
  - (iv) Notice period: [•]
22. **Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Covered Bonds and method, if any, of calculation of such amount(s): [•] per Calculation Amount
  - (iii) Notice period: [•]
23. **Final Redemption Amount of Covered Bonds** [•] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
  - (ii) Party responsible for calculating the Final Redemption Amount (if not the Paying Agent): [•]
  - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
  - (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [•]

- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Minimum Final Redemption Amount: [●] per Calculation Amount
- (vii) Maximum Final Redemption Amount: [●] per Calculation Amount

24. **Early Redemption Amount** [Not Applicable]

Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Covered Bonds Guarantor Event of Default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): *(If both the Early Redemption Amount and the Early Termination Amount are the principal amount of the Covered Bonds/specify the Early Redemption Amount and/or the Early Termination Amount if different from the principal amount of the Covered Bonds)*

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

- 25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details]  
*[Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii), 17(vi) and 19(x) relate]*
- 26. Details relating to Covered Bonds for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
- 27. Redenomination provisions: [Redenomination [not] applicable *(If Redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms)*]
- 28. Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

**DISTRIBUTION**

- 29. (i) If syndicated, names of Managers: [Not Applicable/give names]

- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
30. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
31. U.S. Selling Restrictions: [Reg. S Compliance Category]
32. Additional selling restrictions: [Not Applicable/*give details*]

### PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [the regulated market of the Luxembourg Stock Exchange/*specify other regulated market*] of the Covered Bonds described herein] pursuant to the €[10,000,000,000] Covered Bond Programme of Intesa Sanpaolo S.p.A..

### RESPONSIBILITY

The Issuer and the Covered Bonds Guarantor accept responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from (*specify source*). Each of the Issuer and the Covered Bonds 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 Intesa Sanpaolo S.p.A.

By: \_\_\_\_\_  
Duly authorised

Signed on behalf of ISP CB Pubblico S.r.l.

By: \_\_\_\_\_  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing [Luxembourg/(specify other)/None]
- (ii) Admission to trading [Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/specify other regulated market] with effect from [●].] [Not Applicable.]
- (Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*

### 2. RATINGS

- Ratings: The Covered Bonds to be issued have been rated:
- [Moody's: [●]]
- [[Other]: [●]]
- (The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

*[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer.”]

*(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i) Reasons for the offer [●]]
- (See [“Use of Proceeds”] wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]*
- [(ii) Estimated net proceeds: [●]]

[(iii)] Estimated total expenses: [●]  
[Include breakdown of expenses]  
(If the Covered Bonds are derivative securities to which Annex XII of Regulation (EC) No 809/2004 applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. **[Fixed Rate Covered Bonds only – YIELD]**

Indication of yield: [●]  
Calculated as [include details of method of calculation in summary form] on the Issue Date.  
As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

6. **[Floating Rate Covered Bonds only - HISTORIC INTEREST RATES]**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. **[Index-Linked or Other Variable-Linked Covered Bonds only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING]**

(Need to include:

- (i) details of the exercise price or the final reference price of the underlying;
- (ii) details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident;
- (iii) description of any market disruption or settlement disruption events that affect the underlying;
- (iv) adjustment rules in relation to events concerning the underlying;
- (v) where the underlying is a security, the name of the issuer of the security and its ISIN or other such security identification code;
- (vi) where the underlying is an index, the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, details of where the information about the index can be obtained;
- (vii) where the underlying is not an index, equivalent information;
- (viii) where the underlying is an interest rate, a description of the interest rate;
- (ix) where the underlying is a basket of underlying, disclosure of the relevant weightings of each underlying in the basket; and
- (x) any other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Regulation (EC) No 809/2004.)

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].]

8. **[Dual Currency Covered Bonds only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

*(Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.)*

*(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

9. **OPERATIONAL INFORMATION**

ISIN Code: [●]

Common Code: [●]

Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

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

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]

[Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]



## TAXATION IN THE REPUBLIC OF ITALY

The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Covered Bonds.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

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 summary is based upon the laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

This summary takes into consideration the changes introduced by Law No 133 of 6 August 2008 ("**Law No 133**") and by Law Decree No 185 of 29 November 2008 as converted with amendments by Law No 2 of 28 January 2009.

### **Taxation of Interest**

#### *Italian Resident Covered Bondholders*

Pursuant to Decree 239, where the Italian resident holder of Covered Bonds that qualify as *obbligazioni or titoli similari alle obbligazioni* and have a maturity of eighteen months or more, who is the beneficial owner of such Covered Bonds, is:

- (a) an individual holding Covered Bonds otherwise than in connection with entrepreneurial activity (unless he has entrusted the management of his financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**") – the "**Asset Management Option**");
- (b) or a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or *de facto* partnership not carrying out commercial activities or professional association; or
- (c) a private or public institution not carrying out mainly or exclusively commercial activities (including the Italian state and public entities); or
- (d) an investor exempt from Italian corporate income taxation,

interest payments relating to the Covered Bonds are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds). All the above categories are qualified as "net recipients".

Where the resident holders of the Covered Bonds described above under (a) and (c) are engaged in an entrepreneurial activity to which the Covered Bonds are effectively connected with the same business activity, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the tax due.

Pursuant to Decree 239, the 12.5 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "**SIMS**"), fiduciary companies, *società di gestione del risparmio* (SGRs), stock brokers and other qualified entities resident in Italy ("**Intermediaries**" and each an "**Intermediary**"), or by permanent establishments in Italy of

foreign banks or intermediaries resident outside Italy, that must intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Covered Bonds.

Where the Covered Bonds and the relevant coupons are not deposited with an authorised Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld:

- by any Italian bank or any Italian Intermediary paying Interest to the Bondholders; or
- by the Issuer.

Payments of Interest in respect of Covered Bonds that qualify as *obbligazioni* or *titoli similari alle obbligazioni* and have a maturity of eighteen months or more, are not subject to the 12.5 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Covered Bonds are effectively connected; (ii) Italian resident collective investment funds, SICAVs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 (“**Decree No. 252**”), Italian resident real estate investment funds; and (iii) Italian resident individuals holding Covered Bonds not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Covered Bonds, to an authorised financial Intermediary and have opted for the Asset Management Option. Such categories are qualified as “gross recipients”.

To ensure payment of Interest in respect of the Covered Bonds without the application of 12.5 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iii) must (a) be the beneficial owners of payments of Interest on the Covered Bonds and (b) timely deposit the Covered Bonds together with the coupons relating to such Covered Bonds directly or indirectly with an Italian authorised financial Intermediary (or a permanent establishment in Italy of a foreign Intermediary).

In case of application of the *imposta sostitutiva* gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Covered Bonds are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Covered Bonds would be included in the corporate taxable income (and in certain circumstances, depending on the “status” of the Covered Bondholders, also in the net value of production for purposes of regional tax on productive activities – IRAP) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Covered Bonds are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Covered Bonds not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 12.5 per cent annual substitute tax (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

Italian collective investment funds and SICAVs are subject to annual substitute tax at a rate of 12.5 per cent. (the “**Collective Investment Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds).

Italian resident pension funds subject to the regime provided by Decree No 252 are subject to an 11 per cent. annual substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds).

According to Article 41-*bis* of Law Decree No. 269 dated 30 September 2003, Italian resident real estate funds created under Article 37 of Consolidated Financial Law and Article 14*bis* of

Law No. 86 dated 25 January 1994 as amended by Law No 133 are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund exception made for some specific cases in relation to which a net worth tax rate of 1 per cent. would be applicable.

#### **Non-Italian resident Bondholders**

According to Decree 239, payments of Interest in respect of Covered Bonds that qualify as *obbligazioni* or *titoli similari alle obbligazioni* and have a maturity of eighteen months or more will not be subject to the *imposta sostitutiva* at the rate of 12.5 per cent. provided that:

- (a) the payments are made to non-Italian resident beneficial owners of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected; and
- (b) such beneficial owners are resident, for tax purposes (i) in a White-list State listed into Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii) as from the tax year in which the decree pursuant to Article 168-*bis* of Decree No. 917 is effective, in a State or territory that is included (or deemed to be included, pursuant to Article 1, paragraph 90 of the Budget Law for 2008) in the list of States allowing for an adequate exchange of information with the Italian tax authorities; and
- (c) all the requirements and procedures set forth in Decree 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met or complied with.

The 12.5 per cent. *imposta sostitutiva* may be reduced (generally to 10 per cent.) or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Decree 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Covered Bonds made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure the payment of Interest in respect of the Covered Bonds without the application of the 12.5 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (a) be the beneficial owners of payments of Interest on the Covered Bonds; and
- (b) timely deposit the Covered Bonds together with the coupons relating to such Covered Bonds directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (c) timely file with the relevant depository a self-assessment (*autocertificazione*) stating, *inter alia*, that he or she is resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information. Such self-assessment (*autocertificazione*) is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The self-assessment (*autocertificazione*) is not requested for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Covered Bondholders to timely comply with the procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests payments to a non-resident Covered Bondholders.

The *imposta sostitutiva* will be applicable at the rate of 12.5 per cent. to interest, premium and other income accrued during the holding period when the Covered Bondholders are resident, for fiscal purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

Should the above exemptions not be applicable, non-Italian resident Covered Bondholders may be entitled to claim if certain relevant conditions are met, a reduction of the 12,5 per cent. *imposta sostitutiva* under double taxation treaty, if any, entered into by Italy and its country of residence, subject to filing of required documentation.

#### *Early Redemption of Covered Bonds with an original maturity of eighteen months or longer*

Without prejudice to the above provisions, Covered Bonds with an original maturity of eighteen months or longer which are redeemed within eighteen months from the date of issue, are subject to an additional tax on such early redemption due by the Issuer at the rate of 20 per cent. in respect of Interest accrued on the Covered Bonds up to the date of the early redemption pursuant to Article 26, 1st paragraph, of Presidential Decree No. 600 of 29 September 1973, as amended (“**Decree No. 600**”).

#### **Covered Bonds with a maturity of less than eighteen months**

Pursuant to Article 26 of Decree No. 600, interest and other proceeds on Covered Bonds that qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Decree No. 917 with an original maturity of less than eighteen months are subject to withholding tax levied at a rate of 27 per cent.

If the Covered Bondholder is a non-Italian resident, the 27 per cent. withholding tax may be reduced pursuant to the provisions of the relevant double taxation treaty entered into by Italy and the country of the Covered Bondholder, subject to timely filing of required documentation.

#### **Atypical securities**

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) may be qualified as “*atypical securities*” and subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian-resident issuer, where the Covered Bondholders is (i) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Covered Bonds are connected, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax.

In all other cases, the withholding tax is a final withholding tax.

#### **Payments made by the Guarantor**

There is no authority directly regarding the Italian tax regime of payments on Covered Bonds made by an Italian resident guarantor. 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 12.5 per cent. pursuant to Presidential Decree No. 600, as subsequently amended. With respect to non-Italian resident Covered Bondholders, a final withholding tax may be applied at (i) 12.5 per cent. if the payment is made to non-Italian resident Covered Bondholders other than those mentioned under (ii); or (ii) 27 per

cent. if the payment is made to non-Italian resident Covered Bondholders which are resident in states or territories having a preferential tax regime pursuant to Italian tax law.

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, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

## **Capital Gains**

### *Italian resident Covered Bondholders*

Pursuant to Decree No. 461, a 12.5 per cent. capital gains tax (referred to as “*imposta sostitutiva*”) is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Covered Bonds issued by Intesa Sanpaolo are connected, on any sale or transfer for consideration of the Covered Bonds or redemption thereof.

Under the so called “tax declaration regime”, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 12.5 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year.

Alternatively to the tax declaration regime, holders of the Covered Bonds who are Italian resident individuals not engaged in entrepreneurial activities to which the Covered Bonds are connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Covered Bonds (“*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) the Covered Bonds being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the so-called *risparmio amministrato* regime being timely made in writing by the relevant bondholder of the Covered Bonds. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Covered Bonds, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the holder of the Covered Bonds, deducting a corresponding amount from proceeds to be credited to the holder of the Covered Bonds. Where a sale or transfer or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Covered Bonds within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the bondholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Special rules apply if the Covered Bonds are part of (i) a portfolio managed in a regime of Asset Management Option (“*risparmio gestito*” regime) by an Italian asset management company or an authorised intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a *Fondo Comune di Investimento* or SICAV). In both cases, the capital gains realised upon sale, transfer or redemption of the Covered Bonds will not be subject to 12.5 per cent. *imposta sostitutiva* on capital gains but will respectively contribute to determine the taxable base of the Asset Management Tax and of the Collective Investment Fund Tax.

In particular, under the Asset Management Option, any appreciation of the Covered Bonds, even if not realised, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at yearend may be carried forward against appreciation accrued in each of the following years up to the fourth. Also under the Asset Management Option the realised capital gain is not requested to be included in the annual income tax return of the Covered Bondholders and the Covered Bondholders remains anonymous.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Covered Bonds are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

In the case of Covered Bonds held by investment funds and SICAVs, capital gains on Covered Bonds contribute to determinate the increase in value of the managed assets of the funds or SICAVs accrued at the end of each tax year, subject to the Collective Investment Fund Tax at the relevant applicable rate.

In the case of Covered Bonds held by pension fund pursuant to Decree No 252 capital gains on Covered Bonds contribute to determinate the increase in value of the managed assets of the funds accrued at the end of each tax year and are subject to the Pension Fund Tax.

According to Article 41-*bis* of Law Decree No. 269 dated 30 September 2003, Italian resident real estate funds created under Article 37 of Consolidated Financial Law and Article 14*bis* of Law No. 86 dated 25 January 1994 as amended by Law No 133 are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund exception made for some specific cases in relation to which a net worth tax rate of 1 per cent. would be applicable.

#### **Non-Italian resident Covered Bondholders**

The 12.5 per cent. final *imposta sostitutiva* may in certain circumstances be payable on capital gains realised upon sale for consideration or redemption of Covered Bonds by non-Italian resident persons or entities without a permanent establishment in the Republic of Italy to which the Covered Bonds are effectively connected, if the Covered Bonds are held in the Republic of Italy.

However, pursuant to Article 23 of Decree No. 917, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale for consideration or redemption of the Covered Bonds are exempt from taxation in Italy to the extent that the Covered Bonds are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-assessment (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Covered Bonds are deposited, even if the Covered Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Covered Bonds are not listed on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Decree No. 461 non-Italian resident beneficial owners of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Covered Bonds if they are resident, for tax purposes: (i) in a White-list State listed into Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii), as from the tax year in which the decree pursuant to Article 168-bis of Decree No 917 is effective, in a State or territory that is included (or deemed to be included, pursuant to Article 1, paragraph 90 of Law of 24 December 2007, No. 244) in the list of States allowing for an adequate exchange of information with the Italian tax authorities listed in the decree referred to in Article 168-bis, paragraph 1 of Decree No. 917. Under

these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected elect for the *risparmio amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-assessment (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Covered Bonds are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State; and

- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Covered Bonds are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Covered Bonds are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Covered Bonds.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected hold Covered Bonds with an Italian authorised financial intermediary and elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, in order to benefit from exemption from Italian taxation on capital gains such non-Italian residents may be required to file in time with the authorised financial intermediary appropriate documents which include *inter alia* a certificate of residence from the competent tax authorities of the country of residence of the non-Italian residents.

### **Inheritance and gift tax**

Pursuant to Law Decree No. 262 of 3 October 2006, converted with amendments by Law No. 286 of 24 November 2006 effective from 29 November 2006, and Law No. 296 of 27 December 2006, the transfers of any valuable assets (including the Covered Bonds) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- (a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);
- (b) 6 per cent. if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000(per beneficiary);
- (c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and
- (d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax is levied to the rate mentioned above in (a), (b), (c) and (d) on the value exceeding €1,500,000.

### **Transfer tax**

According to Law Decree No. 248 of 31 December 2007, converted with amendments by Law No. 30 of 28 February 2008, transfer tax previously payable generally on the transfer of Covered Bonds, was abolished. Following the repeal of the transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at a rate of 168 €; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

### **European Withholding tax directive**

On 3rd June 2003, the Council of the European Union adopted the EU Directive No. 2003/48/EC regarding the taxation of savings income (the “**European Savings Directive**”). According to the European Savings Directive, each member State of the European Union (a “**Member State**”) is required to provide to the tax authorities of other States of the European Union details of the interest payments by a person within its jurisdiction to individuals resident in that other State. However, Austria, Belgium and Luxembourg are allowed to apply a withholding system for a transitional period.

Italy has implemented the Directive through Legislative Decree No. 84 of 18 April 2005 (the “**Decree 84/2005**”). Under Decree 84/2005, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 (including the case of interest accrued on the Certificates at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State or in certain associated territories of Member States, Italian paying agents (i.e. banks, Italian investment firms (“*società di intermediazione mobiliare – SIM*”), fiduciary companies, Italian management company (“*società di gestione del risparmio – SGR*”) resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, undertakings for collective investments in transferable securities (“UCITS”) recognised in accordance with Directive 85/611/EEC.

Please note that, on 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation on the Savings Directive, which include the Commission’s advice on the need for changes to the Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.



## SUBSCRIPTION AND SALE

### Dealer Agreement

Covered Bonds may be sold from time to time by the Issuer to the Dealer (the “**Dealer**”). The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealer are set out in a dealer agreement, entered into on or about the Initial Issue Date and amended thereafter on or about the date of this Base Prospectus, and made between the Issuer, the Representative of the Covered Bondholders and the Dealer (the “**Dealer Agreement**”). The Dealer Agreement makes provision for, *inter alia*, an indemnity to the Dealer against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement also makes provision for the resignation or termination of appointment of existing Dealer and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Series. The Dealer Agreement contains stabilising and market making provisions.

### Subscription Agreements

Any agreement between the Issuer, the Representative of the Covered Bondholders and the Dealer and/or any additional or other dealers, from time to time for the sale and purchase of Covered Bonds (a “**Subscription Agreement**” and each dealer party thereto, a “**Relevant Dealer**”) will, *inter alia*, make provision for the price at which the relevant Covered Bonds will be purchased by the Relevant Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

Each Subscription Agreement will also provide for the confirmation of the appointment of the Representative of the Covered Bondholders by the Relevant Dealer as initial holder of the Covered Bonds then being issued.

### Selling restrictions

#### Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a supplemental prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) *PMI*: at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts; or
- (c) *Private placements*: at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Relevant Dealers nominated by the Issuer for any such offer;

- (d) *Minimum denomination*: at any time if the denomination per Covered Bond being offered amounts to at least Euro 50,000; or
- (e) *Other inapplicability events*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### ***United States of America***

*Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Covered Bonds have not been and will not be registered under the 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 Category 2.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States of America or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each additional Dealer appointed under the Programme will agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the date of commencement of the offering of the Covered Bonds and the issue date hereof, as certified to the Issuer by such Dealer (or, in the case of a sale of a Series to or through more than one Dealer, by each of such Dealers as to the Covered Bonds of such Series purchased by or through it, in which case the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States of America or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Covered Bonds during the distribution compliance period relating thereto 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.

In addition, until 40 days after the commencement of the offering of Covered Bonds comprising any Series, any offer or sale of 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.

### ***Japan***

The Covered Bonds have not been and will not be registered under the Securities and Exchange Law of Japan. Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the

relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### ***The United Kingdom***

In relation to each Series of Covered Bonds, each Relevant Dealer represents, warrants and undertakes to the Issuer and each other Relevant Dealer (if any) that:

- 1.1 *No offer to public*: in relation to Covered Bonds which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of a period of six months from the Issue Date of such Covered Bonds, will not offer or sell any such Covered Bonds to persons in the United Kingdom of Great Britain except for persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom of Great Britain within the meaning of the Financial Services and Markets Act 2000 (the “FSMA”);
- 1.2 *No deposit-taking*: in relation to any Covered Bonds having a maturity of less than one year:
  - 1.2.1 it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - 1.2.2 it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:
    - (a) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (b) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses, where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- 1.3 *Financial promotion*: 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; and
- 1.4 *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

### ***Republic of Italy***

The offering of the Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, other than to (i) qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of 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 (the “**Regulation No. 11971**”), or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Law and Regulation No. 11971.

Any such offer, sale or delivery of Covered Bonds or distribution of copies of the Base Prospectus or any other material relating to the Covered Bonds in Italy under (i) and (ii) above

must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Banking Law, the Financial Law, CONSOB Regulation No. 16190 issued on 29 October 2007 and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### ***The Netherlands***

The Base Prospectus may not be distributed and the Covered Bonds may not be offered, sold, pledged, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who are established, domiciled or have their residence in The Netherlands ("**Dutch Residents**") other than to the following entities ("**Professional Market Parties**" or "**PMPs**") provided they acquire the Covered Bonds for their own account or for the account of a Professional Market Party and they also trade or invest in securities in the conduct of a business or profession:

- (i) banks, insurance companies, securities firms, collective investment institutions or pension funds that are supervised or licensed under Dutch law;
- (ii) banks or securities firms licensed or supervised in a European Economic Area member state (other than The Netherlands) and registered with the Dutch Central Bank (*De Nederlandsche Bank N.V.*: "**DNB**") or the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) and acting through a branch office in The Netherlands;
- (iii) Netherlands collective investment institutions which offer their shares or participations exclusively to professional investors and are not required to be supervised or licensed under Dutch law;
- (iv) the Dutch government (*de Staat der Nederlanden*), DNB, Dutch regional, local or other decentralised governmental institutions, international treaty organisations and supranational organisations;
- (v) Netherlands enterprises or entities with total assets of at least EUR 500,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Covered Bonds;
- (vi) Netherlands enterprises, entities or natural persons with a net equity (*eigen vermogen*) of at least EUR 10,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Covered Bonds and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- (vii) Netherlands subsidiaries of the entities referred to under (i) above provided such subsidiaries are subject to prudential supervision;
- (viii) Netherlands enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and
- (ix) such other entities designated by the competent Netherlands authorities after the date hereof by any amendment of the applicable regulations.

### ***Republic of Ireland***

Each Dealer represents and agrees that:

- (a) Except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act, 1963 (as amended) of Ireland, (the "**1963 Act**"), it has not offered or

sold and will not offer or sell any Covered Bonds in Ireland or elsewhere, by means of any document prior to application for listing of the Covered Bonds being made and the Irish Stock Exchange having approved the relevant listing particulars in accordance with the 1984 Regulations and thereafter by means of any document other than: (i) the relevant listing particulars and/or (ii) a form of application issued in connection with the Covered Bonds which indicates where the relevant listing particulars can be obtained or inspected or which is issued with the relevant listing particulars;

- (b) It has complied with and will comply with all applicable provisions of the 1963 Act and the 1984 Regulations with respect to anything done by it in relation to the Covered Bonds in, from or otherwise involving Ireland;
- (c) It has not made and will not make any offer of the Covered Bonds which would require a prospectus to be issued under the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 of Ireland; and
- (d) To the extent applicable, it will not underwrite the issue of or place the Covered Bonds otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended), including, and without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and 50 and any conduct made under Section 37.

### ***Federal Republic of Germany***

Each Dealer represents and agrees that Covered Bonds have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 9 September 1998, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

### ***General***

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealer that would permit a public offering of Covered Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or have in their possession or distribute such offering material, in all cases at their own expenses.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply to the best of its knowledge and belief with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefore (with specific reference to the jurisdictions of the United States of America, Japan, the Republic of Italy, the Netherlands, the Republic of Ireland and the Federal Republic of Germany, see above).

The Dealer Agreement provides that the Dealer 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 Dealer described in this paragraph headed "*General*".

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series) or (in any other case) in a

supplement to this Base Prospectus.

## GENERAL INFORMATION

### **Listing, Admission to Trading and Minimum Denomination**

Application has been made for the Covered Bonds to be admitted to the official list and be traded on the regulated market of the Luxembourg Stock Exchange.

Covered Bonds may be listed on such other stock exchange as the Issuer and the Relevant Dealer(s) may agree, as specified in the relevant Final Terms, or may be issued on an unlisted basis.

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than €50,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

### **Authorisations**

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer on May 14, 2009.

The granting of the Covered Bonds Guarantee was authorised by a resolution of the Board of Directors of the Covered Bonds Guarantor on May 20, 2009.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Covered Bonds.

### **Clearing of the Covered Bonds**

The Covered Bonds will be issued in dematerialised form and held on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream). The 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.

### **Common codes and ISIN numbers**

The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Series will be specified in the Final Terms relating thereto.

### **The Representative of the Covered Bondholders**

Pursuant to the provisions of the Conditions and the Rules of Organisation of the Covered Bondholders, there shall be at all times a Representative of the Covered Bondholders appointed to act in the interest and behalf of the Covered Bondholders. The initial Representative of Covered Bondholders shall be Finanziaria Internazionale Securitisation Group S.p.A. Finanziaria Internazionale Securitisation Group S.p.A. shall be appointed by the Dealer in accordance with the Dealer Agreement and the relevant Subscription Agreements.

### **No material litigation**

During the twelve months preceding the date of this Base Prospectus, there have been no governmental, legal or arbitration proceedings, nor are the Issuer or the Covered Bonds Guarantor aware of any pending or threatened proceedings of such kind, which have had or may have significant effects on the Issuer's or the Covered Bonds Guarantor's financial position or profitability.

### **No significant change and no material adverse change**

There has been no significant change in the financial and trading position nor material adverse change in the prospects of the Covered Bonds Guarantor and of the Issuer since the date of their

last published audited financial statements in respect of the year ended on 31 December 2008.

### **Luxembourg Listing Agent**

The Issuer has undertaken to maintain a listing agent in Luxembourg so long as Covered Bonds are listed on the Luxembourg Stock Exchange.

### **Documents available for inspection**

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and listed on the 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 Transaction Documents;
- (ii) the Issuer's memorandum of association (*Atto Costitutivo*) and by-laws (*Statuto*) as of the date hereof;
- (iii) the Covered Bonds Guarantor's memorandum of association and by-laws as of the date hereof;
- (iv) the Issuer's audited consolidated annual financial statements in respect of the years ended on 31 December 2007 and 31 December 2008;
- (v) the Covered Bonds Guarantor's audited annual financial statements in respect of the year ended on 31 December 2008;
- (vi) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (vii) any reports, letters, balance sheets, valuations and statements of experts included or referred to in the Base Prospectus (other than consent letters);
- (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.

After the date of issue of any Index-Linked Interest Covered Bonds, Equity-Linked Covered Bonds, Credit-Linked Covered Bonds or other variable-linked Covered Bonds, no additional information in relation to the underlying assets, index, securities, or other variable of such Covered Bonds will be provided by the Issuer.

### **Financial statements available**

For so long as the Programme remains in effect or any Covered Bonds listed on the Luxembourg Stock Exchange shall be outstanding, copies and, where appropriate, English translations of the most recent publicly available financial statements and consolidated financial statements of the Issuer may be obtained during normal business hours at the specified office of the Luxembourg Listing Agent.

The external auditors have given, and have not withdrawn, their consent to the inclusion of their report on the accounts of the Issuer in this Base Prospectus in the form and context in which it is included.

### **Post-issuance information**

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.



**Publication on the Internet**

This Base Prospectus, any supplement thereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at [www.bourse.lu](http://www.bourse.lu).

**Material Contracts**

Save as disclosed in this Base Prospectus, neither the Issuer nor the Covered Bonds Guarantor nor any of their respective subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Covered Bondholders.

**Auditors**

Reconta Ernst and Young S.p.A. are the auditors both of the Issuer and the Covered Bonds Guarantor and are registered at No. 2 on the Special Register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of the Financial Law and in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992. Reconta Ernst and Young S.p.A. is also a member of Assirevi, the Italian association of auditing firms.

**Fees and expenses**

The estimated fees and expenses other than lead managers & bookrunner commissions payable by the Issuer in connection with the issuance of any Series under the Programme amount to approximately €150,000.00.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) Intesa Sanpaolo audited consolidated annual financial statements in respect of the years ended on 31 December 2007 and 31 December 2008;
- (2) Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008.

Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purpose only.

The table below sets out the relevant page references for (i) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the financial statements of Intesa Sanpaolo for the year 2008 and 2007 and (ii) the notes, the balance sheet, the income statement, the auditor's report and the accounting policies relating to the financial statements of ISP CB Pubblico S.r.l. for the year 2008, as set out in the relevant reports:

### Comparative Table of Documents incorporated by reference

Paragraph of Commission Regulation (EC) No 809/2004	Document incorporated by Reference	Paragraph and page of the Document Incorporated by Reference
6.1 If the issuer is part of a group, a brief description of the group and of the issuer's position within it.	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Organisational Structure of Intesa Sanpaolo Group (page 29)
11. Historical Financial Information concerning the Issuer's assets and liabilities, financial position and profits and losses	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Audited consolidated financial information for the year 2008 (pages 9-424)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Report on the Bank and the Group (pages 15-107)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Consolidated Balance Sheet (pages 114-115)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Consolidated Profit and Loss Account (page 116)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Statement of Changes in Shareholders' Equity (consolidated) (pages 117-118)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Cash Flow Statement (consolidated) (page 119)

	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Segment Report (consolidated) (pages 283-284)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Notes to the Accounts and Consolidated Accounts (pages 121-424)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2008	Independent Auditor's report (pages 109-111)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Audited consolidated financial information for the year 2007 (pages 29-379)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Report on the Bank and the Group (pages 29-97)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Consolidated Balance Sheet (pages 106-107)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Consolidated Profit and Loss Account (page 108)
	Intesa Sanpaolo audited annual financial statements in respect of the year ending on 31 December 2007	Statement of Changes in Shareholders' Equity (consolidated) (pages 109-110)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Cash Flow Statement (consolidated) (page 111)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Segment Report (consolidated) (pages 269-270)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Notes to the Accounts and Consolidated Accounts (pages 113-379)
	Intesa Sanpaolo audited consolidated annual financial statements in respect of the year ending on 31 December 2007	Independent Auditor's report (page 103)
11. Historical Financial Information concerning the Covered Bonds Guarantor's assets and liabilities, financial position and profits and losses	Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008	Report on the company (pages 7-9)
	Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008	Balance Sheet (page 16)

	Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008	Statement of Income (page 17)
	Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008	Statement of Changes in Quotaholders' Equity (page 18)
	Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008	Statement of Cash Flows (page 19)
	Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008	Notes to the Accounts (pages 20-27)
	Covered Bonds Guarantor audited annual financial statements in respect of the year ended on 31 December 2008	Independent Auditor's report (page 14)

Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purpose only.

The consolidated financial statements of the Issuer as at and for the years ended on 31 December 2007 and 31 December 2008 have been audited by Reconta Ernst and Young S.p.A., in their capacity as independent auditors of the Issuer, as indicated in their reports thereon.

The financial statements of the Covered Bonds Guarantor as at and for the years ended on 31 December 2008 have been audited by Reconta Ernst and Young S.p.A., in their capacity as independent auditors of the Covered Bonds Guarantor, as indicated in their reports thereon.

The financial statements referred to above have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union under Regulation (EC) 1606/2002.

#### **Availability of Documents**

Copies of all documents incorporated herein by reference may be obtained without charge at the head office of the Luxembourg Listing Agent in the city of Luxembourg and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Written or oral requests for such documents should be directed to the specified office of the Luxembourg Listing Agent.

Any information not listed above but included in the above documents does not form part of this Base Prospectus and should be read for information purposes only.

### **SUPPLEMENT TO THE BASE PROSPECTUS**

The Issuer has undertaken, in connection with the listing of the Covered Bonds on 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 an amendment or 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 listed on the Luxembourg Stock Exchange.

## GLOSSARY

*The following terms are used throughout this Base Prospectus. The page number opposite a term indicates the page on which such term is first defined. These and other terms used in this Base Prospectus are subject to, and in some cases are summaries of, the definitions of such terms set out in the Transaction Documents, as they may be amended from time to time.*

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