Prospectus



BANCO BPM S.P.A.

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

€10,000,000,000 Covered Bond Programme

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

BPM Covered Bond S.r.l.

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

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

Under this €10,000,000,000 covered bond programme (the **Programme**), Banco BPM S.p.A. (**Banco BPM** or the **Issuer** or the **Bank**) may from time to time issue European covered bonds (*obbligazioni garantite europee*) (the **Covered Bonds**) pursuant to the terms and conditions of this Prospectus and the conditions of the Programme Agreement and in accordance with Title 1-*bis* of law No. 130 of 30 April 1999 (as amended from time to time, the **Securitisation and Covered Bonds Law**) which has implemented Directive (EU) 2019/2162 of 29 November 2019 establishing a common framework for covered bonds and Part III, Chapter 3 of the Circolare No. 285 of 17 December 2013 (as amended from time to time, including on 30 March 2023, the **Bank of Italy Regulations**).

The Covered Bonds will be denominated in any currency agreed between the Issuer and the relevant Dealer(s). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described herein).

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

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

This document has been approved by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), which is the competent authority under Regulation EU 2017/1129 (the **Prospectus Regulation**) in the Grand Duchy of Luxembourg, as a base prospectus, for the purposes of article 8(1) of the Prospectus Regulation (the **Prospectus**).

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

Application has also been made for Covered Bonds issued under the Programme during the period of 12 (twelve) months from the date of this Prospectus to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of Directive 2014/65/EU (as amended from time to time, the **MiFID II**). As referred to in Article 6(4) of the Luxembourg law on prospectuses for securities of 16 July 2019, by approving this Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the issuer.

This Prospectus, which supersedes the Prospectus dated 21 September 2023, is valid for a period of 12 months from its date ending on 13 June 2025 in relation to Covered Bonds which are to be admitted to trading on a regulated market in the European Economic Area (the EEA). The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

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

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

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

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

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

Amounts payable under the Covered Bonds may be calculated by reference to EURIBOR, or to the sterling overnight index average rate (**SONIA**), in each case as specified in the relevant Final Terms. As at the date of this Prospectus, EURIBOR is provided and administered by the European Money Markets Institute (**EMMI**), and SONIA is provided and administered by the Bank of England. At the date of this Prospectus, EMMI is authorised as benchmark administrators, and included on, the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 of Regulation (EU) 2016/1011 (the **Benchmarks Regulation**). As at the date of this Prospectus, the administrator of SONIA is not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, SONIA does not fall within the scope of the Benchmarks Regulation.

The Covered Bonds issued under the Programme, if rated, are expected to be assigned a credit rating as specified in the relevant Final Terms by Moody's Italia S.r.l. (**Moody's**) and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any Series of Covered Bonds (the **Rating Agency**). Whether or not the credit rating applied for in relation to relevant Series of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (as amended, the **EU CRA Regulation**) or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the United Kingdom (**UK**) and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the **UK CRA Regulation**) or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation or (2) is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation. **A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal**

at any time by the assigning Rating Agency. Please refer to the ESMA webpage https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation in order to consult the updated list of registered credit rating agencies.

JOINT ARRANGERS FOR THE PROGRAMME

BARCLAYS ***UBS INVESTMENT BANK***

DEALERS

BANCA AKROS – GRUPPO BANCO BPM ***BARCLAYS*** ***UBS INVESTMENT BANK***

The date of this Prospectus is 13 June 2024.

RESPONSIBILITY STATEMENT

This Prospectus is a base prospectus for the purposes of Article 8(1) of the Prospectus Regulation and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Guarantor and of the rights attaching to the Covered Bonds.

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

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

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

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

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

***IMPORTANT - EEA RETAIL INVESTORS** – If the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, the **MiFID II**); or (ii) a customer*

*within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

***IMPORTANT - UK RETAIL INVESTORS** – If the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*

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

***UK MiFIR product governance / target market** – The Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any distributor (as defined above) should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market*

assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Suitability of Covered Bonds as investments *– The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:*

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

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

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

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

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

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

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

The distribution of this Prospectus and the offering or sale of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Joint Arrangers to inform themselves about and to observe any such restriction. The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the ***Securities Act****). Subject to*

certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the European Economic Area (including the Republic of Italy and the Republic of France), the United Kingdom and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Prospectus, see "Subscription and Sale".

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

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

Third Party Information – Certain information and statistics presented in this Prospectus regarding markets and market share of the Issuer or the Group are either derived from, or are

based on, internal data or publicly available data from external sources. In addition, the sources for the rating information set out in the sections headed "Selected Consolidated Financial Data – Rating" and "Description of the Issuer and the Group – Recent Developments" of this Prospectus are the following rating agencies: Moody's, S&P, Fitch and DBRS (each as defined below). In respect of information in this Prospectus that has been extracted from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

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

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

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

STABILISATION

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

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

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GENERAL DESCRIPTION OF THE PROGRAMME

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

PARTIES

Issuer	**Banco BPM S.p.A.**, a bank incorporated in Italy as a joint stock company (*società per azioni*), having its registered office at Piazza F. Meda, 4, Milan, Italy, registered with the Companies' Register (*registro delle imprese*) of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065, authorised to carry out business in Italy pursuant to the Consolidated Banking Act (**Banco BPM** or the **Issuer**). For a more detailed description of the Issuer, see Section "*Business Description of the Issuer and the Group*".
Guarantor	**BPM Covered Bond S.r.l.**, a company incorporated in Italy as a limited liability company (*società a responsabilità limitata*) pursuant to the Securitisation and Covered Bonds Law, with a share capital equal to Euro 10,000, having its registered office at Via Curtatone 3, 00185 - Rome, Italy, enrolled with the Companies' Register (*registro delle imprese*) of Rome under number 09646111006, part of the BPM Group enrolled with the register held by the Bank of Italy pursuant to article 64 of the Consolidated Banking Act, (the **Guarantor**). For a more detailed description of the Guarantor, see "*The Guarantor*".
Seller	**Banco BPM S.p.A.**, a bank incorporated in Italy as a joint stock company (*società per azioni*), having its registered office at Piazza F. Meda, 4, Milan, Italy, registered with the Companies' Register (*registro delle imprese*) of Milan under number 09722490969 and with the register of banking groups held by the Bank of Italy "*Codice meccanografico*" 5034 under number 8065 and authorised to carry out business in Italy pursuant to the Consolidated Banking Act.
Additional Seller(s)	Any bank (other than Banco BPM S.p.A.) which is a member of the Banco BPM Group that wishes to sell

	Eligible Assets, Substitution Assets and Liquid Assets to the Guarantor, subject to satisfaction of certain conditions (which shall include a prior written notice to the Rating Agency), and which, for such purpose, shall enter into, *inter alia*, a master receivables purchase agreement with the Guarantor, on substantially the same terms and conditions of the Master Receivables Purchase Agreements.
Subordinated Lender	**Banco BPM S.p.A.** and each Additional Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.
Joint Arrangers	**Barclays Bank Ireland PLC**, acting through its investment bank divisions with office at One Molesworth Street, Dublin 2, Ireland D02 RF29, and any other entity appointed as an arranger for the Programme. **UBS Europe SE**, registered with the commercial register (*Handelsregister*) at the local court (*Amtsgericht*) of Frankfurt am Main under HRB 107 046, whose registered address is at Bockenheimer Landstraße 2-4, 60306 Frankfurt am Main, Germany (**UBS**).
Dealer(s)	• **Banca Akros S.p.A.** (Gruppo Banco BPM); • **Barclays Bank Ireland PLC**; and • **UBS Europe SE**, and any other dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for the issue of a specific Series of Covered Bonds or on an ongoing basis.
Servicer	Pursuant to the terms of the Servicing Agreement, Banco BPM will act as Servicer. For a more detailed description of Banco BPM, see Section "*The Issuer*".
Sub-Servicers	Banco BPM and each Additional Seller who will accede to the Servicing Agreement and will act as Sub-Servicer in relation to the relevant Portfolio.
Back-Up Servicer	Means any entity which may be appointed as Back-up Servicer by the Guarantor, together with the Representative of the Bondholders.

Investment Manager	Pursuant to the Cash Allocation, Management and Payment Agreement, Banco BPM has been appointed as Investment Manager. For a more detailed description of Banco BPM, see Section "*The Issuer*".
Calculation Agent	Pursuant to the Cash Allocation, Management and Payment Agreement, Banco BPM has been appointed as Calculation Agent. For a more detailed description of Banco BPM, see Section "*The Issuer*".
Representative of the Bondholders	**The Bank of New York Mellon Corporate Trustee Services Limited**, a company having its registered office at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom.
Asset Monitor	A reputable firm of independent accountants and auditors will be appointed as Asset Monitor pursuant to a mandate granted by the Issuer and the Asset Monitor Agreement, as an independent monitor to perform tests and procedures including those in accordance with the applicable legal regulations. The Asset Monitor is BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94 - 20131 Milan, Italy, share capital of Euro 1,000,000, of which paid Euro 1,000,000, fiscal code and enrolment with the Companies' Register (*registro delle imprese*) of Milan No. 07722780967 and enrolled under No. 167911 with the Register of Statutory Auditors (*Registro dei Revisori Legali*) maintained by the Ministry of Economy and Finance.
Interest Rate Swap Provider	Any swap provider who agrees to act as Interest Rate Swap Provider to the Guarantor in order to mitigate certain interest rate, currency and/or other risks in respect of amounts received by the Guarantor under the Cover Pool Agreement and amounts payable under the Term Loans (prior to the service of an Issuer Default Notice) and under the Guarantee in respect of the Covered Bonds (after an Issuer Default Notice).
Account Bank	**Banco BPM** will act as Account Bank pursuant to the Cash Allocation, Management and Payment Agreement, provided that, as long as Banco BPM will not be an Eligible Institution, it will be substituted in the

	performance of its activities as Account Bank by the Back-up Account Bank. For a more detailed description of Banco BPM, see Section "*The Issuer*".
Luxembourg Listing Agent	**BNP Paribas, Luxembourg Branch**, a bank incorporated under the laws of the Republic of France as a société anonyme, having its registered office at 16 boulevard des Italiens, 75009 Paris, France, acting through its Luxembourg branch with offices at 60 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg. BNP Paribas, Luxembourg branch, being part of a financial group providing client services with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNP Paribas Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg. Further information on the international operating model of BNP Paribas, Luxembourg branch may be provided upon request.
Principal Paying Agent and Back-up Account Bank	**The Bank of New York Mellon SA/NV – Milan Branch,** a bank incorporated under the laws of Belgium, having its registered office at Multi Tower, Boulevard Anspachlaan 1 – B-1000 Brussels, Belgium, acting through its Milan branch with office at via Mike Bongiorno 13, 20124 Milan, Italy, fiscal code and enrolment with the companies register of Milan number 09827740961 and registered with the register held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act as a "*filiale di banca estera*" under number 8070 and with ABI code 3351.4, will act as Principal Paying Agent and Back-up Account Bank pursuant to the terms of the Cash Allocation, Management and Payment Agreement.
Guarantor Corporate Servicer	**KPMG Fides Servizi di Amministrazione S.p.A.**, a company incorporated under the laws of Italy, having its registered office at via Vittor Pisani 27, Milan, Italy, acting through its branch in Rome, at Via Curtatone 3, Rome, Italy, has been appointed as Guarantor Corporate Servicer pursuant to the Corporate Services Agreement.
Quotaholders	**Banco BPM and Stichting Horizonburg**, a company incorporated under the laws of The Netherlands, having its registered office at Hoogoorddreef 15, 1101BA Amsterdam, The Netherlands, holding, respectively 80%

and 20% of the Guarantor's quotas, are the quotaholders of the Guarantor.

THE PROGRAMME

Programme description

A covered bond issuance programme under which Covered Bonds (*Obbligazioni Bancarie Garantite*) will be issued by the Issuer to Bondholders and guaranteed by the Guarantor under the Guarantee.

Programme Limit

The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed €10,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement). The Issuer may however increase the aggregate nominal amount of the Programme in accordance with the Programme Agreement.

THE COVERED BONDS

Form of Covered Bonds

The Covered Bonds will be issued in bearer and dematerialised form or in any other form as set out in the relevant Conditions and/or Final Terms. The Covered Bonds issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli account holders and title thereto will be evidenced by book entries. Monte Titoli will act as depository for Euroclear and Clearstream. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

Denomination of Covered Bonds

The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealers in accordance with the Conditions and specified in the relevant Final Terms save that the minimum denomination of each Covered Bond will be Euro 100,000 or such other amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Status of the Covered Bonds

The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a winding-up, liquidation, dissolution or bankruptcy of the Issuer, any funds realised

	and payable to the Bondholders will be collected by the Guarantor on their behalf.
Specified Currency	Covered Bonds will be issued, subject to any applicable legal or regulatory restrictions, in such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Bondholders (as set out in the applicable Final Terms).
Maturities	The Covered Bonds will have such Maturity Date as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Redemption	The applicable Final Terms relating to each Series of Covered Bonds will indicate either that the Covered Bonds of such Series of Covered Bonds cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following a Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer or at the option of the Bondholders on a date or dates specified prior to the specified Maturity Date and at a price and on other terms as may be agreed between the Issuer and the Dealer(s) (as set out in the applicable Final Terms). For further details, see Condition 8 (*Redemption and Purchase*). For the avoidance of doubt any reference in this Prospectus to such Condition 8 (*Redemption and Purchase*) shall be read as a redemption at 100 per cent of the aggregate principal amount of the Covered Bonds.
Extended Maturity Date	The relevant Final Terms may also provide that the obligations of the Guarantor to pay all or part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 8(b) (*Extension of Maturity*) to the Extended Maturity Date. Such deferral will occur automatically if (a) the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms; and (b) the Guarantor (or the Calculation Agent on its behalf) determines that the Guarantor has insufficient moneys

	available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds. In the circumstances outlined above, the Guarantor shall, on the Extension Determination Date, pursuant to the Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) towards partial payment of the Final Redemption Amount in respect of the relevant Covered Bonds and shall pay the Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The Issuer shall notify to the Bank of Italy the extension of maturity of the Covered Bonds pursuant to Condition 8(b) within 10 (ten) calendar days from the occurrence thereof. For further details, see Condition 8 (*Redemption and Purchase*).
Issue Price	Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis (as set out in the relevant Final Terms).
Interest	Covered Bonds may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or zero coupon and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s).
Fixed Rate Covered Bonds	Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds

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

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating (i) the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Series) or (ii) if ISDA 2021 Definitions are specified as being applicable in the relevant Final Terms, the latest version of ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), each as published by ISDA (or any successor) on its website (http://www.isda.org), on the Issue Date of the first Tranche of the Bonds of the relevant Series; or

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

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

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

Zero Coupon Covered Bonds

Zero Coupon Covered Bonds, bearing no interest, may be offered and sold at a discount to their nominal amount unless otherwise specified in the applicable Final Terms.

Amortising Covered Bonds

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

Taxation

Subject to certain exceptions, all payments in relation to Covered Bonds will be made without Tax Deduction or Withholding Tax. If any deduction or withholding is made on account of Tax, the Issuer shall, subject to a number of exceptions, be required to pay additional amounts in respect of the amounts so deducted or withheld. Under the

	Guarantee the Guarantor will not be liable to pay any such additional amounts. For further details, see Condition 10 (*Taxation*).
Issuer cross default	Each Series of Covered Bonds will cross-accelerate as against each other Series but will not otherwise contain a cross default provision. Accordingly, neither an event of default under any other indebtedness of the Issuer (including other debt securities of the Issuer) nor any acceleration of such indebtedness will of itself give rise to an Issuer Event of Default. In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, *provided however that*, where a Guarantor Default Notice is served on the Guarantor as a result of a Guarantor Event of Default in respect of any one Series of Covered Bonds, all obligations of the Guarantor under the Guarantee will be accelerated in respect of all Series of Covered Bonds outstanding. For further details, see Condition 11 (*Segregation Event and Events of Default*).
Notice to the Rating Agency	The issue of certain types of Covered Bonds (including Zero Coupon Covered Bonds or Covered Bonds whose Final Terms do not provide for an Extended Maturity Date) in each case as specified in the applicable Final Terms as well as the sale of any Subsequent Portfolio which has characteristics and/or features that differ materially from the characteristics and/or features of the Initial Portfolio, including any Subsequent Portfolio which comprises loans originated by entities different from Banco BPM, shall be subject to prior notice to the Rating Agency.
Listing and admission to trading	Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange. The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.
Ratings	The Covered Bonds issued under the Programme, if rated, are expected to be assigned a credit rating as specified in

the relevant Final Terms by Moody's Italia S.r.l. (**Moody's**) and/or any other rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any Series of Covered Bonds (the **Rating Agency**).

Whether or not the credit rating applied for in relation to relevant Series of Covered Bonds will be (1) issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (as amended, the **EU CRA Regulation**) or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the United Kingdom (**UK**) and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the **UK CRA Regulation**) or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation or (2) is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation as it forms part of domestic law by virtue of the EWA.

As such, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Moody's is a rating agency established in the EEA and registered under the EU CRA Regulation. All credit ratings assigned to the Covered Bonds issued under the Programme will be disclosed in the relevant Final Terms. **A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to suspension, reduction or withdrawal at any time by the Rating Agency**.

Governing Law

The Covered Bonds will be governed by Italian law or by any other law as set out in the relevant Conditions and/or Final Terms. The Transaction Documents will be governed by Italian law, except for the Swap Agreements and the Deed of Charge, which will be governed by English law.

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

Breach of Tests

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

Segregation Events

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

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

In such case:

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

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

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

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

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor will sell the Eligible Assets, the Substitution Assets and/or Liquid Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the relevant Seller in respect of such Eligible Assets, Substitution Assets and/or Liquid Assets pursuant to the relevant Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

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

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

Issuer Events of Default

An Issuer Event of Default will occur if:

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

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

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

(d) an Insolvency Event (other than an early intervention measure (*misura di intervento precoce*) pursuant to Title IV, Chapter I, of the Consolidated Banking Act or a resolution (*risoluzione*) pursuant to Legislative Decree no. 180 of 16 November 2015) occurs in respect of the Issuer;

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

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

Upon the service of an Issuer Default Notice:

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

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

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

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

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

provided that, in case of the Issuer Event of Default referred to under point (e) above, the effects listed in items from (a) to (e) above will only apply for as long as the suspension of payments will be in force and effect and accordingly (A) the Guarantor, in accordance with the Securitisation and Covered Bonds Law, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (B) at the end of the suspension period, the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

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

Guarantor Event of Default

A Guarantor Event of Default will occur if:

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

(b) following the occurrence of an Issuer Event of Default there is a breach of the Amortisation Test on any Calculation Date;

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

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

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

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

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

THE TESTS

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

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

Liquidity Buffer Requirement

Pursuant to article 7-*duodecies* of the Securitisation and Covered Bonds Law and with the Bank of Italy Regulations, the Issuer shall ensure that, on a continuing basis, the amount of Liquid Assets comprised in the Cover Pool is equal to or higher than the maximum cumulative Net Liquidity Outflow of the Programme over the next 180 days, provided that, for the purposes of calculating the Net Liquidity Outflows, the Principal Amount Outstanding of the Covered Bonds shall be deemed to be due on the relevant Extended Maturity Date (where applicable) and not on the relevant Final Maturity Date (the Liquidity Buffer Requirement).

In order to ensure the compliance of the Cover Pool with the Liquidity Buffer Requirement, the Seller (and/or the Additional Seller (if any)) shall:

(a) prior to an Issuer Event of Default (i) sell Liquid Assets to the Guarantor pursuant to the Master Receivables Purchase Agreement, and/or (ii) repurchase assets comprised in the Cover Pool (other than Liquid Assets) pursuant to clause 12 of the Master Receivables Purchase Agreement; or

(b) following an Issuer Event of Default, sell (through the Portfolio Manager) Selected Assets in accordance with the Cover Pool Management Agreement.

It is understood that, in accordance with article 7-*undecies*, paragraph 2, letter c), of the Securitisation and Covered Bonds Law, the Liquid Assets comprised in the Cover Pool shall be considered to contribute to the Eligible Cover Pool, provided that such assets satisfy the requirements to qualify as eligible assets set forth in article 7-*novies*, paragraph 1, letter a), of the Securitisation and Covered Bonds Law.

Integration Limits

For the purposes of article 129 of the CRR, the aggregate amount of the Substitution Assets and the Liquid Assets included in the Cover Pool shall not be in excess of the Integration Limits.

In order to ensure the compliance of the Cover Pool with the Integration Limits:

(a) the Seller (and/or the Additional Seller (if any)) may:

(i) sell Eligible Assets, Substitution Assets and/or Liquid Assets to the Guarantor pursuant to the Master Receivables Purchase Agreement; and/or

(ii) repurchase Substitution Assets and/or Liquid Assets pursuant to clause 12 of the Master Receivables Purchase Agreement; and/or

(b) the Guarantor may repay any Term Loan outstanding under the relevant Subordinated Loan Agreement in accordance with the Pre-Issuer Default Principal Priority of Payments.

It is understood that any Substitution Assets and/or Liquid Assets in excess of the Integration Limits would not be computed for the purposes of the calculation of the Tests pursuant to the Cover Pool Management Agreement.

THE GUARANTOR AND THE GUARANTEE

Guarantee

Payments of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor. The Guarantor shall fulfil, within the limits of the Cover Pool, the Issuer's obligations towards the Bondholders in case of compulsory liquidation (*liquidazione coatta amministrativa*) or, to the greatest extent permissible by law and without prejudice to Condition 11.2(iv), resolution (*risoluzione*) of the Issuer or following the delivery of an Issuer Default Notice to the Issuer and the Guarantor, or, if earlier, following the delivery of a Guarantor Default Notice to the Guarantor. The obligations of the Guarantor will accelerate with respect to all Guaranteed Amounts once the Guarantor Default Notice has been delivered to the Guarantor. The obligations of the Guarantor under the Guarantee constitute direct obligations of the Guarantor backed by the Cover Pool and recourse against the Guarantor is limited to such assets.

For further details, see "*Description of the Transaction*

	Documents - Guarantee".
Cover Pool	The Guarantee will be backed by the Cover Pool constituted by (i) the Portfolios comprised of Receivables and related collateral assigned to the Guarantor by the Seller (and/or any Additional Seller(s), if any, as the case may be), in accordance with the terms of the Master Receivables Purchase Agreement and (ii) any other Eligible Assets, Substitution Assets and/or Liquid Assets held by the Guarantor with respect to the Covered Bonds and the proceeds thereof which will, *inter alia*, comprise the funds generated by the Eligible Assets, the Substitution Assets and the Liquid Assets including, without limitation, funds generated by the sale of assets from the Cover Pool and funds paid in the context of a liquidation of the Issuer. For further details, see "*Description of the Cover Pool*".
Limited recourse	The obligations of the Guarantor to the Bondholders and, in general, to the Seller (and/or any Additional Seller(s), if any) and other creditors will be limited recourse obligations of the Guarantor. The Bondholders, the Seller (and /or any Additional Seller(s), if any) and such other creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds subject to the relevant Priority of Payments, in each case subject to, and as provided for in, the Guarantee and the other Transaction Documents.
Term Loans	The Seller will grant to the Guarantor a Term Loan for the purposes of (a) funding the purchase of Eligible Assets from the Seller (and the Additional Seller(s), if any) pursuant to the terms of the relevant Master Receivables Purchase Agreements and/or (b) funding the purchase of Eligible Assets, Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Tests) and/or Liquid Assets pursuant to the terms of the Cover Pool Management Agreement. The Guarantor will pay interest and/or Premium in respect of each Term Loan but will have no liability to gross up for withholding Taxes. Payments from the Guarantor to the Seller (and each Additional Seller(s), if any) under the Term Loans will be limited recourse and subordinated and paid in accordance with the Priorities of Payments to the extent the Guarantor has available funds, provided that any extra available fund will be used to repay the Term Loans. For further details, see "*Description of the Transaction Documents – Subordinated Loan Agreement*".

Excess Assets and support for further issues	Any Eligible Assets, Substitution Assets and Liquid Assets forming part of the Cover Pool which are in excess of the value of the Eligible Assets, Substitution Assets and Liquid Assets required to satisfy the Tests and the Liquidity Buffer Requirement may be repurchased by the Seller (or the relevant Additional Seller(s), if any) in accordance with the provisions of the Cover Pool Management Agreement and the relevant Master Receivables Purchase Agreement. For further details, see "*Description of the Transaction Documents - The Cover Pool Management Agreement*".
Segregation of Guarantor's rights and collateral	The Covered Bonds benefit from the provisions of article 7-*octies* of the Securitisation and Covered Bonds Law, pursuant to which the Cover Pool is segregated by operation of law from the Guarantor's other assets. In accordance with article 7-*octies* of the Securitisation and Covered Bonds Law, prior to and following a winding-up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Bondholders, to the Swap Providers under the Swap Agreements, to the Other Guarantor Creditors as set out in the Intercreditor Agreement and to any other creditors of the Guarantor exclusively in respect of costs, fees and expenses incurred by the Guarantor in relation to the Programme. The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Guarantee or cancellation thereof.
Cross-collateralisation	Each Eligible Asset, Substitution Asset and Liquid Assets transferred from the Seller to the Guarantor or otherwise acquired by the Guarantor will from time to time form the collateral supporting the Guarantee *pari passu* and *pro rata* in respect of all Series of Covered Bonds.
Claim under the Guarantee	The Representative of the Bondholders, for and on behalf of the Bondholders, may submit a claim to the Guarantor and make a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or enforce the Guarantee if so instructed by the Bondholders.

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

of gross negligence (*colpa grave*), wilful default (*dolo*) or fraud (*frode*) of the Representative of the Bondholders.

SALE AND DISTRIBUTION

Distribution

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

Each Series of Covered Bonds issued will be denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply and will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area, the United Kingdom and in Japan. Other restrictions may apply in connection with the offering and sale of a particular Series of Covered Bonds.

For further details, see Section "*Subscription and Sale*" below.

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect their ability to fulfil their obligations under the Covered Bonds issued under the Programme. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

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

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

1. RISK FACTORS RELATING TO THE ISSUER

Risks related to the impact of global macro-economic factors

Risks related to the impact of global macro-economic factors, the consequences arising from the continuation of the Russia-Ukraine conflict and the onset of conflict in the Middle East, and the impact of the geopolitical environment in general

The performance of the Banco BPM Group is influenced by: Italian and EU-wide macroeconomic conditions, the conditions of the financial markets in general, and in particular, by the stability and trends in the economies of those geographical areas in which the Banco BPM Group conducts its activity. The earning capacity and solvency of the Banco BPM Group is affected, inter alia, by factors such as investor perception, long-term and short-term interest rate fluctuations, exchange rates, liquidity of financial markets, availability and costs of funding, sustainability of sovereign debt, family incomes and consumer spending, unemployment levels, inflation and property prices. Adverse changes in these factors, especially during times of economic and financial crisis, could result in potential losses, an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

In 2023 the global economy experienced a moderate growth and the macro-economic conditions were influenced by a high degree of volatility resulting from the trends in inflation and interest rates. The main hurdles to a more sustained growth pace came from a persistent high inflation and the high interest rates reflecting the restrictive monetary policies implemented in the main world economies. Such two factors have in fact slowed down consumption and investments, in a large part of the main Western economies.

These factors were compounded by tensions in the banking markets experienced in March 2023 in relation to the difficulties experienced by four medium-sized banks in the United States (including First Republic Bank) and a Swiss bank of global importance (Credit Suisse). This

led to several bank failures (including Silicon Valley Bank) and the acquisition of Credit Suisse by UBS. In addition, since the last quarter of 2023, on the geopolitical front, as well as the ongoing Ukrainian conflict, an acute Israeli-Palestinian clash rekindled the unresolved Middle Eastern crisis. The two conflicts affected the regular functioning of global supply chains and exerted a certain burden on the public finances of Western countries, especially in terms of support to Ukraine, already burdened by the prospect of a rising debt refinancing cost.

With respect to the conflict between Israel and the Palestinian territory of Gaza as of 31 December 2023, the Group had no credit exposure towards counterparties located in Israel and Palestine while the authorized credit amount in respect of such parties was equal to Euro 12 million; the Group's exposure represented by securities issued by the State of Israel was equal to Euro 45 million in principal amount, while Group's exposure to stocks and funds towards Israeli counterparties was equal to Euro 9.4 million. As of 31 December 2023, the Group's indirect risks for guarantees granted to Israeli counterparties amounted to Euro 4 million.

Additionally, the monetary policies of the major central banks in 2023 strengthened the markedly restrictive nature that they had already assumed in 2022.

The increase in official interest rates by central banks has been passed onto the cost of Italian bank loans in 2023. Indeed, an increase in interest rates can be observed both for outstanding amounts and for new loans to households and enterprises. In December 2023, the interest rate on new Italian banks' Euro loans to households for house purchases was 4.42% (3.01% in December 2022). The average rate on new Italian banks' Euro loans to non-financial corporations rose to 5.69% at the end of 2023, from 3.55% at the end of 2022. Lastly, in December 2023 the weighted average rate on Italian banks' total loans to households and non-financial corporations was 4.76% (3.20% in December 2022).

The trends of the national macroeconomic conditions and the Italian sovereign rating may have an impact on the Issuer's credit rating. In particular, any deterioration in the Italian sovereign debt rating (also at a level below an investment grade level) or in the Italian macroeconomic condition may lead to a downgrade of the Issuer's ratings, which could in turn cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group. For additional information, see "*Risks related to the financial situation of the Issuer and the Group – Risks related to the ratings assigned to the Issuer*".

The afore-mentioned uncertain outlook for the Euro area economy is likely to affect the Group's financial forecasts and estimates, as they require a selection of assumptions and hypotheses that may not necessarily be confirmed by actual future developments.

In addition, a number of uncertainties remain in the current macroeconomic environment, namely: (a) confirmation of growth trend, or recovery and consolidation perspectives, for the US and Chinese economies, with the latter burdened by its domestic real estate market downturn; (b) real economy trends, and in particular the probability of global and domestic recession; (c) the effectiveness of the monetary policy of the European Central Bank (**ECB**), in the Euro area, and the Federal Reserve System, in the US, and their future developments, adverse future developments in the Dollar area, the impact of policies implemented by other countries aimed at promoting their currencies' competitive devaluations; (d) sovereign debt sustainability of certain countries and the related recurring tensions on the financial markets; (e) risks related to the trend of inflation rates; and (f) international banking system crisis.

All of these factors, in particular in times of economic and financial crisis, could result in potential losses, an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

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

Risks related to the Strategic Plan

On 11 December 2023 the Board of Directors of Banco BPM approved a new strategic plan for the Group for the period 2023-2026 (the **2023-2026 Strategic Plan**), which supersedes the previous strategic plan of the Group for the period 2021-2024 (the **2021-2024 Strategic Plan**).

The 2023-2026 Strategic Plan sets out, in qualitative and quantitative terms, the strategies of the Group and contains a set of hypotheses, estimates, projections and forecasts regarding (i) the current macro-economic outlook, including a slowdown in inflationary dynamics, coupled with a substantial stabilisation of economic growth and a normalisation of interest rates, and expected changes in the regulatory environment up to 2026; and (ii) the development of the patrimonial, economic and financial figures based on the occurrence of future events and actions to be adopted by the management and the Board of Directors of Banco BPM, in the period 2023-2026.

Such hypotheses, estimates and forecasts are based on various hypothetical assumptions, and are subject (among others) to the risks and uncertainties, including those of a geopolitical nature relating to the current and future conflicts (including conflicts between Russia and Ukraine and in the Middle East), that characterise both the evolution of the macroeconomic scenario and the evolution of the legal and regulatory framework, and that relate to future events and actions which the Board of Directors and the management cannot, in whole or in part, influence, in relation to the performance of the principal financial and economic figures or other factors affecting such performance.

Strictly connected to the strategic risk is the commercial risk understood as the actual and prospective risk associated with the failure to achieve the objectives of assets' volume and economic results due to the ineffectiveness of the actions taken by the Issuer's management and Board of Directors and/or as a result of adverse market conditions.

Therefore, the Group is exposed to the risk that it may be unable to implement part or all of its 2023-2026 Strategic Plan or that it may be unable to implement part or all of such its 2023-2026 Strategic Plan within the timeframe expected, that the assumptions on which the Group based its forecasts and strategy may be incorrect or that the strategy may not achieve the results expected; this may, in turn, have negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

For further information, please refer to the section entitled "*Description of the Issuer and the Group - Strategy*".

Risks related to legal and tax proceedings and inspections by Supervisory Authorities

The Banco BPM Group is subject to litigation in the ordinary course of its business, including civil and administrative legal proceedings, as well as several arbitration and tax proceedings. See "*Description of the Issuer and the Group – Legal Proceedings of the Group*". Negative

outcomes in such proceedings or in any investigation by the supervisory authority may create liabilities which reduce the Issuer's ability to meet its obligations.

In this respect, Banco BPM (former Banca Popolare Italiana Soc. Coop.) is defendant in legal proceedings against the Italian Tax Authority, including proceedings related to the claimed non-deductibility for IRES and IRAP purposes in the 2005 fiscal year of costs and value adjustments to receivables relating to facts or actions classified as offences (regarding offences of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Popolare Italiana with relation to the attempted takeover of Banca Antonveneta). The claims amount to 199.8 million (including interest and tax collection fees). With separate judgements filed on 15 October 2014, no. 8562 (IRES) and no. 8561 (IRAP), Provincial Tax Commission of Milan fully rejected the appeals submitted by the Bank, though not justifying in any way the rationale underlying the confirmation of the tax demand. Said judgements were appealed before the Lombardy Regional Tax Commission. The discussion of the appeals was held before Section 2 of the Milan Regional Tax Commission on 6 May 2015. With judgement no. 670 filed on 19 May 2015, also lacking adequate justification, the Commission rejected the joint appeals submitted and confirmed the challenged judgements. On 18 December 2015, an appeal was submitted to the Supreme Court, which is still pending.

The notices illustrated were followed by additional notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. The claims contained in these notices also regard the claimed non-deductibility for IRES and IRAP purposes of the costs deemed attributable to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. Said value adjustments, although recognised by Banca Popolare Italiana in its financial statements for 2005, were deductible on a straight-line basis over the following 18 financial years pursuant to the version in effect at the time of Art. 106, paragraph 3 of Italian Presidential Decree no. 917 of 22 December 1986. The notices of assessment served therefore dispute the alleged non-deductibility of the portions of the aforementioned adjustments on loans deducted in the years 2006, 2007, 2008 and 2009. Total claims amount to 15.8 million. An appeal has been presented to the Provincial Tax Commission. The Commission suspended the proceedings until the final judgement of the Supreme Court is passed on the notices of assessment relating to 2005, pursuant to the previous paragraph. The claims illustrated, relating to fiscal years 2005 and 2006-2009, amount to a total of 215.6 million.

The Bank assessed the proceedings and confirmed the assessment of the risk of losing as possible, but not probable, meaning that there is therefore no need to recognise provisions in the financial statements as at 31 December 2023 to cover the potential liability related to the outcome of the dispute in question.

Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability to which the Banco BPM Group may be exposed when such proceedings are decided.

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

There can be no assurance that legal proceedings which are not included in these provisions would not give rise to additional liabilities in the future, nor that the amounts already set aside

in these provisions will be sufficient to fully cover the possible losses deriving from these proceedings if the outcome is worse than expected. This could have a material adverse effect on the business, financial conditions or results of operations of the Issuer and/or of the Banco BPM Group.

In addition, the Banco BPM Group is regularly subject to enquiries and inspections by the ECB in its capacity as the Bank's supervisory authority and other supervisory authorities in the ordinary course of its business. For additional information on pending inspections, see "*Description of the Issuer and the Group – Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.*". The outcomes of any such enquiries and inspections may lead to organisational interventions and the Banco BPM Group may be required to implement certain measures aimed at rectifying any shortcomings detected during such enquiries and inspections. A supervisory authority may also take a range of disciplinary actions against the representatives of the Issuer with administrative, management or control functions.

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

Risks related to the fair value measurement of real estate investments

As part of the project of rationalising and promoting the real estate assets of the Group, in December 2019 the Issuer resolved to change the measurement criterion for property and valuable works of art, adopting the fair value for real estate investments and the revaluation value for property used in operations and valuable works of art. The income statement for the year ended 31 December 2023 shows a net negative impact of Euro 146.8 million resulting from the adjustment of the fair value of investment properties following the annual update of valuation reports. For the year ended 31 December 2022, the net impact was a negative Euro 108.3 million. For additional information, see the paragraph entitled "*Significant accounting policies and uncertainties regarding the use of estimates in the preparation of consolidated financial statements – Determination of the fair value of property*" on pages 177-179 of the 2023 Annual Financial Statements, incorporated by reference in this Prospectus.

Any change in the fair value of investment properties may have negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

Risks related to deferred tax assets

Deferred tax assets (**DTAs**) and liabilities are recognised in Banco BPM's consolidated financial statements according to accounting principle IAS 12. As of 31 December 2023, DTAs amounted in aggregate to Euro 3,849.8 million, of which Euro 1,845.1 million may be converted into tax credits pursuant to Law No. 214 of 22 December 2011 (**Law 214/2011**).

The recognition of DTAs not convertible into tax credits and the subsequent maintenance in the balance sheet entails a probability test as to their potential recoverability, which must also consider the tax regulations in force at the date of preparation of the financial statements. The probability test must be based on reasonable income forecast taken from approved strategic plans and projections, also considering that, for income tax purposes, tax regulations permit tax losses to be carried forward without any time limit.

As a result, the recoverability of the DTAs not convertible into tax assets may be negatively influenced by changes in the tax regulations and in the accounting principles in force, which cannot be forecast at present. For further information on (i) DTAs, see Section 11 of Part B "*Information on the Consolidated Balance Sheet*" of the 2023 Annual Financial Statements, (ii) the timing for the expected recovery of DTAs, see section "*Notes to the consolidated financial statements*" paragraph "*Estimating the recoverability of deferred tax assets*" in the 2023 Annual Financial Statements, each incorporated by reference in this Prospectus.

Risks Related to Sanctions

The Banco BPM Group has clients and partners located in a number of different jurisdictions. The Group is therefore required to comply with sanctions regimes in the jurisdictions in which it operates. In particular, the Group must comply or may in the future be required to comply with economic sanctions imposed by the United Nations, the European Union, the United Kingdom and the United States on certain countries, in each case to the extent applicable, and these regimes are subject to change, which cannot be predicted. Such sanctions may limit the ability of the Group to continue to transact with clients or to maintain commercial relations with counterparties which may fall under economic sanctions and/or counterparties that are located in sanctioned countries. The risk has been recently exacerbated by the Russian invasion of Ukraine and the ensuing sanctions enacted by, inter alia, the United States, the European Union and the United Kingdom. See also "*Risks related to the impact of global macro-economic factors, the consequences arising from the continuation of the Russia-Ukraine conflict and the onset of conflict in the Middle East, and the impact of the geopolitical environment in general*".

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

Risks related to the ratings assigned to the Issuer

The ratings assigned to the Issuer by the main international rating agencies are an indication of the credit ratings of the Issuer itself and the outlook represents the parameter which indicates the expected trend in the near future, of the ratings assigned to the Issuer. However, such indications may not properly reflect developments in the solvency position of the Issuer and the Banco BPM Group. In addition, ratings assigned to the Issuer may be influenced by developments in the rating assigned to Italy's sovereign debt and the Italian macroeconomic conditions. Any deterioration in the Italian sovereign debt rating or in the Italian macroeconomic condition may lead to a downgrade of the Issuer's ratings, which could in turn cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Any reduction of the rating levels assigned to the Issuer could have a negative effect on the opportunities for the Issuer and for the Banco BPM Group to access the various liquidity

instruments and could lead to an increase in funding costs or require the constitution of additional collateral guarantees for the purpose of accessing liquidity. This may cause adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks relating to the Issuer's business activities and industry

Credit risk

Credit risk is the risk that debtors may not fulfil their obligations or that their credit rating may suffer a deterioration (such debtors include the counterparties of financial transactions involving OTC (over the counter) derivatives traded outside of regulated markets) or that the Banco BPM Group's companies grant credit that they would not otherwise have granted, or would have granted upon different terms, on the basis of information that is untruthful, incomplete or inaccurate. Credit risk includes (i) counterparty risk and (ii) risks connected to the deterioration of the credit quality.

A number of factors affect a bank's credit risk in relation to individual credit exposures or for its entire loan book. These include the trend in general economic conditions or those in specific sectors, changes in the rating of individual counterparties, deterioration in the competitive position of counterparties, poor management on the part of firms or counterparties given lines of credit, and other external factors, also of a legal and regulatory nature.

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

a) Risks connected to the deterioration of the credit quality

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

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

The coverage of the non-performing exposures of the Banco BPM Group as at 31 December 2023 was equal to 50.4%. The coverage of the bad loans of the Banco BPM Group as at 31 December 2023 was equal to 60.9%.

Banco BPM Group's net non-performing loans, as of 31 December 2023, amounted to Euro 1.9 billion, with a decrease from Euro 2.4 billion as of 31 December 2022, and represented 1.8% of Banco BPM Group's total net loans.

In addition, the Group's gross NPL ratio was equal to 3.5% as of 31 December 2023, as compared to 4.2% as of 31 December 2022. In this respect, on 20 March 2017, the ECB published the "*Guidance to banks on non-performing loans*". These guidelines address the main aspects of the management of non-performing loans, spanning from the definition of the NPL strategy and of the operational plan to the NPL governance and operations, meanwhile providing several recommendations and best practices which will drive in the future, the ECB's expectations. To this end, the Group constantly monitors the gross NPL ratio reduction target, as from time to time agreed with the competent supervising authorities. See also "*Risks related to the disposal of non-performing loans*" below.

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

b) *Counterparty risk*

In the conduct of its operations, the Banco BPM Group is exposed to counterparty risk. Counterparty risk is the risk that a counterparty of a transaction (including operations in derivatives and repurchase agreements) involving particular financial instruments may default before the transaction is settled. The Banco BPM Group trades derivative contracts with a wide variety of underlying assets and instruments, including interest rates, exchange rates, equity indices, commodities and loans, with counterparties from the financial services sector, commercial banks, government entities, financial and insurance firms, investment banks, funds and other institutional clients as well as with non-institutional clients.

Transactions in derivatives and repurchase transactions expose the Banco BPM Group to the risk that the counterparty defaults or becomes insolvent before settlement or expiry of the transaction, where the Issuer or other Banco BPM Group company has an outstanding claim against such counterparty, in addition to market risks and operational risks.

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

c) Risks relating to the real estate market

The Banco BPM Group is exposed to the real estate sector, as it is a lender to companies in the real estate sector and to real estate investment funds, whose cash flows are mainly, or exclusively, backed by proceeds deriving from the construction, lease and/or sale of real estate.

The "real estate sector" includes loans to construction and real estate companies/economic groups, to real estate investment funds and to private individuals (in the form of mortgage loans or finance leases to buy a house), together with loans to companies categorised within this sector but whose core business is not real estate (*indotto immobiliare*) as well as to companies in the public infrastructure construction sector.

The real estate sector has been particularly affected by the economic and financial crisis resulting in a fall in asset prices as well as in the number of transactions, accompanied by an increase in the cost of funding and greater difficulties in obtaining access to credit. Consequently, companies operating in the real estate sector have experienced a decrease in transactions both in terms of volumes and margins, an increase in financial expenses, as well as greater difficulties in refinancing their debt. The past economic dynamic, coupled with an increase in interest rates, could increase the bankruptcy rate of both individual and corporate borrowers of the Banco BPM Group, resulting in defaults in the payment of lease and/or mortgage instalments.

In this scenario, falling prices in the real estate market could adversely affect the Banco BPM Group, both directly as a result of the impact on customers operating in this sector, and indirectly as a result of the fall in the value of real estate properties posted as collateral for loans granted by the Banco BPM Group.

The Banco BPM Group has put procedures in place to handle and monitor the risk of default by the borrowers and is supported, where appropriate, by external and internal experts to evaluate any real estate projects and any exposure to the real estate sector is subject to increased capital requirements imposed by the Bank of Italy or the ECB. Notwithstanding the foregoing, any further deterioration of the real estate market conditions or of the economic and financial conditions in general and/or fall in the value of real estate properties placed as collateral could adversely affect the debt servicing ability of the Banco BPM Group's borrowers and, in turn, have a negative adverse impact on the business, financial conditions and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks related to the disposal of non-performing loans

As the Group is among the largest banking groups in Italy, the ECB highlighted the need for the Banco BPM Group to accelerate the reduction of non-performing loans including bad loans, unlikely to pay (**UTP**) and past due (together, **NPLs**), and requested the preparation of a clear action plan for reducing NPLs and increasing the average coverage ratios of NPLs.

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

Risks related to the exposure to sovereign debt

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the Euro Area, the global markets remain characterised by high uncertainty and volatility. Any further acceleration of the European sovereign debt crisis is likely to significantly affect, among other things, the recoverability and quality of the sovereign debt securities held by the Group as well as the financial resources of the Group's clients holding similar securities.

The ECB's unconventional policy (including public sector, covered bond and ABS purchase programme and provision of liquidity *via* Targeted Longer-Term Refinancing Operations (**TLTRO**)) has contributed to ease market tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the ECB could halt or reconsider the current set up of unconventional measures, as recent developments have shown, would negatively impact the value of sovereign debt instruments. This would have a materially negative impact on the Group's business, results and financial position.

The Group is exposed to government bonds and, in particular, Italian government bonds. As at 31 December 2023, the Group's total exposure to sovereign debt securities, relating to the banking segment, was equal to Euro 30,410.5 million, mainly concentrated at the Issuer level (Euro 30,067.9 million). Exposure to EU countries sovereign debt represented 87% of the total exposure to sovereign debt securities; exposure to Italian government bonds was equal to Euro 10,967.6 million as at 31 December 2023 (36.1% of total exposure). Consequently, the Issuer is particularly exposed to any adverse changes and fluctuations in the market for Italian government securities, the political situation and the sovereign debt rating. A decrease in the market price for Italian government bonds could negatively affect the value of its assets and therefore have an adverse effect on the Group's business, results of operations, financial condition and cash flows. In addition, if the credit ratings of Italy and/or of other countries to which the Group has sovereign exposures deteriorate, the Issuer may be required to revise the risk weighting attributed to the relevant assets for the calculation of risk-weighted assets (**RWA**), which could have an adverse effect on the Issuer's capital ratios. The Issuer may also be required to revise the discount criteria applied by counterparties in refinancing transactions, such as in the ECB's TLTRO refinancing transactions, resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral.

In addition, the lingering uncertainties arising from geopolitical tensions, could have a material adverse effect on the economies of the EU Member States in general, and the Italian economy in particular, with a consequential upsurge of the sovereign debt crisis. See also "*Risks related to the impact of global macro-economic factors, the consequences arising from the continuation of the Russia-Ukraine conflict and the onset of conflict in the Middle East, and the impact of the geopolitical environment in general*".

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

All the factors described above, and particularly any re-emergence or further deterioration of the sovereign debt crisis, could result in potential losses to the Issuer and/or the Banco BPM

Group, an increase in its borrowing costs, and/or a reduction in the value of its assets, with possible negative effects on the economic and financial situation of the Issuer and/or of the Banco BPM Group.

Market risks

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

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

(a) *Risks related to interest rates*

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

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

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

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

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

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

The Banco BPM Group has specific policies and procedures in place to identify, monitor and manage these types of risk. However, the volatility and possible insufficient liquidity of the markets, as well as the change of investor preferences towards different kinds of products and/or services, may have an adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Liquidity and Funding risks

Liquidity risk is the risk that the Issuer may not have the cash resources to be able to meet its payment obligations, scheduled or unscheduled, when due. "Funding Liquidity Risk" refers to the risk that the Issuer is not able to meet its scheduled or unscheduled payment obligations in an efficient manner due to its inability to access funding sources, without prejudicing its banking activities and/or financial condition. "Market Liquidity Risk" refers to the risk that the Issuer is only able to realise its assets at a loss as a result of the market conditions and/or timing requirements. Having access to adequate liquidity and long-term funding, in any form, to run its core activity is crucial for Banco BPM to achieve its strategic objectives. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

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

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

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

Further reductions of the credit rating assigned to Italy might also entail a worsening of credit ratings assigned to Italian financial institutions (including that of the Issuer) – in this respect, see also "*Risks connected to the deterioration of the credit quality*".

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

Climate and environmental risks

As part of the Risk Identification process carried out in 2021, the Group identified the issues relating to "Climate change & Environment, Social and Governance" (**ESG**) as a specific risk factor to which it could be exposed. Said issues are seen as the risk drivers underlying prudential risks, for example related to sustainable development in terms of credit and finance and the valuation of internal intangibles, and have shown an increase in terms of both the likelihood of their occurrence and their impact with respect to last year.

As part of the 2022 and 2023 updates of the Risk Identification process, the Group has broken down the specific ESG risk factors into those related to "climate change" and those related to "governance and social sustainability".

To this end, the Group's risk management proceeded with the assessment process with respect to the current ESG regulatory requirements and consultation procedure, first of all with regard to the "Guide on climate-related and environmental risks" the final version of which was published by the ECB in November 2020.

Such risks could result in potential losses to the Issuer and/or the Banco BPM Group, an increase in its borrowing costs, and/or a reduction in the value of its assets, with possible negative effects on the economic and financial situation of the Issuer and/or of the Banco BPM Group.

In 2023, Banco BPM continued to develop and implement the various project initiatives aimed at analysing and managing climate and environmental risks. In this respect, Banco BPM has (i) integrated climate risks within provisioning measures pursuant to IFRS 9 through post model adjustments; (ii) integrated climate risks in its internal capital adequacy assessment process through advanced approach; and (iii) defined the methodological framework for the purposes of including climate risks within its managerial internal rating system.

It cannot be excluded that the adoption of new policies on climate and environmental risks, future developments in ESG and sustainable growth guidelines, changes in consumer preferences and market confidence, as well as any issue that may arise more generally within ESG factors and their impact on accounting valuations and estimates may have a negative impact on the business, the economic and financial situation of the Issuer and/or Banco BPM Group.

Operational risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failure of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, which is the risk of losses deriving from breaches of laws or regulations, contractual, out-of-contract liabilities or other disputes, ICT (Information and Communication Technology) risk (including risks connected with cyber-attacks and risks connected with the

malfunctioning of ICT equipment) and model risk. Strategic and reputational risks are not included. The Banco BPM Group has procedures in place to mitigate and monitor operational risks in order to limit the adverse consequences arising from such risks. These risks are managed and supervised by the Issuer and by other Banco BPM Group legal entities through a structured series of processes, functions and resources for the identification, measurement, valuation and control of risks that are characteristic of the Banco BPM Group's activities.

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

Risks connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund

Directive 2014/49/EU (the **Deposit Guarantee Schemes Directive**) and the BRRD (as defined below), as well as the establishment of the Single Resolution Mechanism, introduced significant changes to the framework regulating the financial distress of banks, with the aim of strengthening the single market and the stability of the European banking system.

Based on the legal framework introduced as a consequence of the transposition into Italian law of these directives, financial institutions are required to provide financial resources in order to fund the Italian Interbank Deposit Guarantee Fund (*Fondo Interbancario di Tutela dei Depositi*) and the National Resolution Fund (*Fondo di Risoluzione Unico Nazionale*, which was transferred to the Single Resolution Fund (*Fondo di Risoluzione Unico*).

In 2023, the banks participating to the Italian Interbank Deposit Guarantee Fund contributed Euro 1.3 billion to its financial endowment, of which Euro 0.8 billion as ordinary contributions and Euro 0.5 billion as additional contributions in order to gradually reintegrate the Italian Interbank Deposit Guarantee Fund's financial endowment following the initiatives that were undertaken until 2024. As of 31 December 2023, the financial resources amounted to Euro 4.5 billion with the target to reach a total of Euro 5.8 billion in July 2024, corresponding to 0.8% of protected deposits.

With respect to the Single Resolution Fund, the contributions are calculated in proportion to the amount of liabilities of the relevant bank (excluding guaranteed deposits and own funds) to the total liabilities (excluding guaranteed deposits and own funds) of Italian banks and the degree of risk assumed by the relevant bank compared to the degree of risk assumed by all other Italian banks. The BRRD provides that Italian banks must pay annual ordinary contributions until the Single Resolution Fund has financial resources equal to at least 1% of the total guaranteed deposits of financial institutions authorised in all participating Member States. This level must be reached by 1 January 2024.

If the financial resources of the Interbank Deposit Guarantee Fund and/or the Single Resolution Fund are insufficient to cover any losses, or if as a result of costs or other expenses incurred by such funds in compliance with the regulations governing their operation the above percentages are not reached, financial institutions may be required to make extraordinary contributions.

For the year ended 31 December 2023, the Group's ordinary contribution to the Italian Interbank Deposit Guarantee Fund was Euro 102.2 million. The Group's ordinary annual contribution to the Single Resolution Fund in 2023 was equal to Euro 85.4 million.

Should the Group be required to make large contributions in future, or should the guarantee funds fail, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to European and Italian banking regulations

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

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

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

In particular, the Banco BPM Group is subject to an extensive set of rules governing capital adequacy, liquidity levels and leverage, which derive from the requirements approved by the Basel Committee on Banking Supervision following the 2008 financial crisis, as implemented by EU and Italian legislation.

With its communication of 25 November 2022, the Bank of Italy confirmed Banco BPM Banking Group as an Other Systemically Important Institution (O-SII) for 2023. The O-SII reserve amounts to 0.25% of regulatory requirements. On 21 November 2023, the Bank of Italy confirmed the Banco BPM Banking Group as a systemically important institution also in 2024; taking into account the new methodology envisaged by the ECB for the assessment of the appropriateness of capital buffers, it raised the O-SII reserve to 0.50% of regulatory requirements.

With its communication of 22 September 2023, the Bank of Italy confirmed the Countercyclical Capital Buffer ratio for exposures to Italian counterparties at zero percent also for the fourth quarter of 2023.

On 26 April 2024, the Bank of Italy notified its decision to apply to all banks authorised to operate in Italy a capital buffer to meet systemic risks (the systemic risk buffer, or **SyRB**) in order to prevent and mitigate systemic risks which would otherwise not be covered by other macroprudential tools. The SyRB must consist of CET1 and will be equal to 1.0% of RWA of domestic exposures. The target rate of 1.0% will be achieved gradually by setting aside a capital buffer of 0.5% by 31 December 2024 and the remaining 0.5% by 30 June 2025.

On 8 December 2023, Banco BPM announced that it had received from the ECB the notification of the prudential decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual Supervisory Review and Evaluation Process (**SREP**), bringing the Pillar 2 capital requirement (P2R) to 2.52%, an improvement compared to that of the previous year (2.57%). Taking into account this additional capital requirement, the ECB determined that the Banco BPM Group is required to meet, for the year 2024, a CET1 ratio of 9.08% on a consolidated basis. Furthermore, the additional requirements that Banco BPM must meet are as follows: (i) Tier 1 capital ratio of 11.00%; and (ii) Total Capital ratio of 13.56%. The Banco BPM Group satisfied these prudential capital ratios on a stated basis as at 31 December 2023, with a CET1 ratio of 14.16%, a Tier 1 ratio of 16.33% and a Total Capital ratio of 19.00%. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group. For additional information on the capital requirements applicable to the Group, see "*Selected Consolidated Financial Data – Capital Requirements of the Group*" and "*Regulatory*".

In addition to the capital requirements discussed above, the BRRD introduced requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the **MREL**). Under the BRRD, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain distributions in accordance with the restrictions on distributions provisions by reference to the Maximum Distributable Amount. The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities. As a result, the powers set out in the BRRD and the application of the MREL requirement will impact the management of credit institutions and investment firms, as well as, in certain circumstances, the rights of creditors, including holders of Covered Bonds issued under the Programme.

The strengthening of capital adequacy requirements, the restrictions on liquidity and the increase in ratios applicable to the Banco BPM Group on the basis of the EU Banking Reform and other laws or regulations that may be adopted in the future could adversely affect the Banco BPM Group's business, results of operations, cash flow and financial position, as well as the possibility of distributing dividends to the shareholders and holders of AT1 instruments. In particular, problems could arise when subordinated bonds which are no longer eligible for regulatory capital purposes reach maturity, as they will have to be replaced by alternative funding sources that comply with the new rules. This could make it harder to comply with the new minimum capital requirements, at least with respect to the combined buffer requirement (and any other relevant buffer requirement applicable to the Issuer from time to time), potentially limiting the Banco BPM Group's ability to distribute dividends and to pay interests on AT1 instruments as a result of operation of the restrictions on distributions provisions by reference to Maximum Distributable Amount contained in the Applicable Banking Regulations.

Moreover, supervisory authorities have the power to bring administrative or judicial proceedings against the Banco BPM Group, which could result, among other things, in suspension or revocation of the licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action (in this respect, see also "*Risks related to legal and tax*

proceedings and inspections by Supervisory Authorities"). Such proceedings could have adverse effects on the Issuer's and the Banco BPM Group's business, financial condition and results of operations. For additional information on the main laws and regulations applicable to the banking sector, see "*Regulatory*".

Risks related to recent and forthcoming regulatory, tax and accounting changes

Regulatory changes

In addition to the own funds and eligible liabilities and liquidity requirements introduced by Basel III, the CRD IV, the BRRD and the EU Banking Reform, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 with implementation required at Member States level as from January 2018 subject to certain transitional arrangements. A new framework for European securitisation (implemented through Regulation (EU) 2017/2042 and Regulation (EU) 2017/2401) has introduced the long awaited rules for issuing simple, transparent and standardised transactions and replaced the provisions of the CRR relating to the regulatory capital treatment of securitisation exposures held by EU credit institutions and investment firms. Moreover, the Basel Committee has embarked on a very significant RWAs variability agenda. This includes the "Fundamental Review of the Trading Book", revised standardised approaches (e.g. credit, market, operational risk), constraint to the use of internal models, as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new setup will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against the exposures assessed via standardised approach and on those evaluated via an internal ratings based approach (**IRB**), due to the introduction of capital floors that, according to the new framework, will be calculated based on the revised standardised approach. Implementation of these new rules on risk models are expected to take effect from 1 January 2025.

Other recent and forthcoming regulatory changes include the EU Banking Reform that amend many of the existing provisions set forth in CRD IV, the BRRD and the SRM Regulation. For additional information, see also "*Regulatory*" and the risk factor entitled "*Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to the Banco BPM Group*". On 7 December 2017 the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms include (*inter alia*) revisions to the leverage-based capital framework – the basis for calculating the leverage ratio requirements being the total leverage ratio exposure measure (LREM) – which is composed of a minimum requirement (set at 3% of the LREM); a buffer for global systemically important institutions (G-SIIs) which takes the form of a Tier 1 capital buffer requirement equal to the LREM multiplied by 50% of a G-SII's risk-based G-SII buffer rate, which is effective from 1 January 2023; and potentially an institution-specific, legally non-binding requirement set by supervisors and based on a bank's stress test results (so-called P2G-LR). These have been introduced in the EU through the amendments to the CRR contained in the EU Banking Reform.

In addition, the EU Banking Reform changes the rules for calculating the capital requirements for market risks against the trading book positions set out in the CRR, to transpose the work done by the Basel Committee with the Fundamental Review of the Trading Book into EU law by establishing clearer and more easily enforceable rules on the scope of application to prevent

regulatory arbitrage; improving risk capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The new rules include a phase-in period.

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

Accounting changes

The Banco BPM Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, the Banco BPM Group, like other parties operating in the banking sector, may need to revise the accounting and regulatory treatment of some existing assets, liabilities and transactions (and the related income and expense), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead to the Issuer having to restate financial data published previously. Investors should be aware that implementation of new accounting principles or standards and regulations (or changes thereto) may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

In this respect, IFRS 17 "Insurance contracts" has replaced IFRS 4 "Insurance contracts". In particular, IFRS 17, published by the IASB in May 2017 and subject to subsequent amendments, was endorsed by Regulation No. 2036/2021 and entered mandatorily in force from 1 January 2023. IFRS 17 introduces new measurement criteria and new accounting rules for insurance products; in particular, the accounting models proposed by IFRS 17 introduce deep changes compared to the previous accounting standards, in particular with regard to i) the concept of insurance revenue, ii) the timing of the recognition of losses from onerous contracts iii) the increased complexity of measurement processes, quantitative requirements, the determination of actuarial and financial assumptions, the disclosure and result analysis requirements iv) in the comparison with the data used to measure the regulatory capital. For additional information, see "*Part A (Accounting policies) - Most significant aspects for 2023 financial statement valuations - Impacts of the transition to IFRS 17 Insurance contracts*" on pages 197-212 of the 2023 Annual Financial Statements, incorporated by reference in this Prospectus.

2. RISKS RELATED TO THE COVERED BONDS

Risks related to Covered Bond generally

Issuer liable to make payments when due on the Covered Bonds

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

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

Obligations under the Covered Bonds

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

Extendable obligations under the Guarantee

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

To the extent that the Guarantor has received an Issuer Default Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds and any amount (including any amount due to any Swap Provider(s)) ranking *pari passu* or in priority thereto, on the date falling on the Extension Determination Date, (the **Maturity Extension Trigger**), the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Guarantee Priority of Payments and as described in Condition 8 (*Redemption and Purchase*). Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. The Extended Maturity Date will fall one year after the Maturity Date. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 8 (*Redemption and Purchase*) and the Guarantor will pay

Guaranteed Amounts, constituting interest due on each Guarantor Payment Date and on the Extended Maturity Date. In these circumstances, except where the Guarantor has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the Guarantor to make payment in respect of the Final Redemption Amount on the Maturity Date (subject to any applicable grace period) (or such later date within the applicable grace period) shall not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay the Guaranteed Amounts corresponding to the Final Redemption Amount on or the balance thereof or prior to the Extended Maturity Date and/or Guaranteed Amounts constituting interest on any Guarantor Payment Date will (subject to any applicable grace periods) be a Guarantor Event of Default.

The Issuer shall notify to the Bank of Italy the extension of maturity of the Covered Bonds pursuant to Condition 8(b) within 10 (ten) calendar days from the occurrence thereof.

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

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

(a) Covered Bonds subject to optional redemption by the Issuer

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

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

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

(b) Zero Coupon Covered Bonds

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

(c) Fixed/Floating Rate Covered Bonds

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

(d) SONIA linked Covered Bonds

The Issuer may issue Covered Bonds with interest determined by reference to the SONIA. Potential investors should be aware that:

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

(ii) they may receive no interest;

(iii) the SONIA may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and

(iv) the timing of changes in the SONIA may affect the actual yield provided to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the SONIA, the greater the effect on the yield.

The historical experience of the SONIA should not be viewed as an indication of the future performance of the SONIA during the term of any SONIA linked Covered Bond. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any SONIA linked Covered Bond and the suitability of such Covered Bond in light of its particular circumstances.

(e) 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.

(f) Floating rate risks

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

(g) Covered Bonds issued at a substantial discount or premium

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

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

Covered Bonds issued under the Programme

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

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

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

(a) any Term Loan granted by the Seller to the Guarantor under the terms of the relevant Subordinated Loan Agreement may only be used by the Guarantor (i) as consideration for the purchase of Eligible Assets from the Seller (or the Additional Seller(s) (if any)) pursuant to the terms of the Master Receivables Purchase Agreement; and (b) as consideration for the purchase of the Eligible Assets, Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Tests) and/or Liquid Assets pursuant to the terms of the Cover Pool Management Agreement;

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

(c) the Issuer must always ensure that the Liquidity Buffer Requirement is satisfied on a continuing basis in order to ensure that the Guarantor can meet its obligations under the Guarantee; and

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

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether a Paying Agent or otherwise)

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

Redemption for tax reasons

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

Bondholders are bound by Extraordinary Resolutions and Programme Resolution

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

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

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

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

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

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

Priority of Payments

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

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

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. However, a subsequent 2016 US Bankruptcy Court decision held that in certain circumstances flip clauses are protected under the US Bankruptcy Code and

therefore enforceable in bankruptcy. The 2016 decision was affirmed on 14 March 2018 by the US District Court for the Southern District of New York, which 2018 decision was further affirmed on 11 August 2020 by the US Court of Appeals for the Second Circuit. The implications of this conflict remain unresolved.

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

Ratings of the Covered Bonds may not reflect all risks

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

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

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the EU CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the EU CRA Regulation or (2) is provided by a credit rating agency not established in the European Union which is certified under the EU CRA Regulation.

In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless such rating (1) is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

Moody's is a rating agency established in the EEA and registered under the EU CRA Regulation.

Change of counterparties

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

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

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

Securitisation and Covered Bonds Law

The Securitisation and Covered Bonds Law was enacted in Italy in April 1999 and amended in 2005 to allow for the issuance of covered bonds. The Securitisation and Covered Bonds Law was further amended during the following years, including on 30 November 2021 by way of the Legislative Decree no. 190 of 5 November 2021 (the **Decree 190/2021**) implementing Directive (EU) 2019/2162, which substituted article 7-*bis* of the Securitisation and Covered Bonds Law with the new Title I-*bis* of the Securitisation and Covered Bonds Law. Moreover, the Decree 190/2021 designates the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations by 8 July 2022. Bank of Italy issued such implementing regulations on 30 March 2023 by publishing an amendment to Section 3, paragraph 3 of the Bank of Italy Regulations.

As at the date of this Prospectus, no interpretation of the application of Securitisation and Covered Bonds Law as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for the Bank of Italy Regulations concerning, *inter alia*, guidelines on the valuation of assets, the procedure for purchasing Substitution Assets and controls required to ensure compliance with the legislation. Consequently, it is possible that the authorities indicated above or different authorities may issue further regulations relating to the Securitisation and Covered Bonds Law or the Bank of Italy

Regulations or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

Risks related to the forthcoming tax reform of financial incomes

Law No. 111 of 9 August 2023 published on the Official Gazette No. 189 of 14 August 2023 (**Law 111**) delegates power to the Italian Government to enact, within twenty-four months from its publication, one or more legislative decrees implementing the reform of the tax system.

According to Law 111, the tax reform may change significantly the taxation of financial incomes and capital gains and introduce various amendments in the Italian tax system at different levels. The precise nature, extent, and impact of these amendments cannot be quantified or foreseen with certainty at this stage. The information provided in this Prospectus may not reflect the future tax landscape accurately.
Investors should be aware that the amendments that may be introduced to the tax regime of financial incomes and capital gains could increase the taxation on interest, similar income and/or capital gains accrued or realised under the Covered Bonds and could result in a lower return of their investment.

Changes in law

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

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

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

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the **IOSCO Benchmark Principles**) and Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (the **Benchmarks Regulation**).

The Benchmarks Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the **UK BMR**) applies to the provision of benchmarks and the use of a benchmark also in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorized by the UK Financial Conduct Authority (**FCA**) or

registered on the FCA register (or, if non-UK based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation and the UK BMR could have a material impact on any Covered Bonds linked to or referencing a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation and the UK BMR. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

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

As an example of such benchmark reforms, on 21 September 2017, the ECB announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (**€STR**) as the new risk-free rate. €STR was published by the European Central Bank on 2 October 2019. In addition, on 21 January 2019, the euro risk-free rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

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

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Covered Bonds referencing a "benchmark".Pursuant to the terms and conditions of any applicable floating rate Covered Bonds or any other Covered Bonds whose return is determined by reference to any benchmark, if the Issuer or Calculation Agent determines at any time that the Relevant Screen Page on which the Reference Rate or the SONIA Reference Rate, as the case may be, for such Covered Bonds appears has been discontinued or following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorized to publish any Replacement Reference Rate under any applicable laws or regulations, the Issuer will appoint a Reference Rate Determination Agent (which may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of such Covered Bonds) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (but in which case any such determination shall be made in consultation with an independent financial

advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent with the Issuer) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role) who will determine a replacement Reference Rate or SONIA Reference Rate, as the case may be, (the **Replacement Reference Rate**), as well as any necessary changes to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the Relevant Screen Page on which the Reference Rate or the SONIA Reference Rate, as the case may be, appears. Such Replacement Reference Rate and any such other changes will (in the absence of manifest error) be final and binding on the Bondholders, the Issuer, the Calculation Agent and the Paying Agent and any other person and will apply to the relevant Covered Bonds without any requirement that the Issuer obtain consent of any Bondholders.

The Replacement Reference Rate may have no or very limited trading history and accordingly its general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. In addition, the replacement rate may perform differently from the discontinued benchmark. This could impact the rate of interest on, and trading value of, the affected Covered Bonds. Moreover, any holders of such Covered Bonds that enter into hedging instruments based on the Relevant Screen Page on which appears the Reference Rate or the SONIA Reference Rate, as the case may be, may find their hedges to be ineffective, and they may incur costs replacing such hedges with instruments tied to the Replacement Reference Rate.

If the Reference Rate Determination Agent is unable to determine an appropriate Replacement Reference Rate for any discontinued Reference Rate or SONIA Reference Rate, as the case may be, or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorized to publish any Replacement Reference Rate under any applicable laws or regulations is adopted but for any reason a Replacement Reference Rate is not determined, then the provisions for the determination of the rate of interest on the affected Covered Bonds will not be changed. In such cases, the Terms and Conditions of the Covered Bonds provide that the relevant Interest Rate on such Covered Bonds will be the last Reference Rate or SONIA Reference Rate, as the case may be, available for the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent, effectively converting such Covered Bonds into fixed rate Covered Bonds.

Furthermore, in the event that no Replacement Reference Rate is determined by the Reference Rate Determination Agent and the affected Covered Bonds are effectively converted to fixed rate Covered Bonds as described above, investors holding such Covered Bonds might incur costs from unwinding hedges. Moreover, in a rising interest rate environment, holders of such Covered Bonds will not benefit from any increase in rates. The trading value of such Covered Bonds could therefore be adversely affected.

The market continues to develop in relation to risk free rates (including overnight rates) as a reference rate for Floating Rate Covered Bonds

Investors should be aware that the market continues to develop in relation to risk free rates, such as the Sterling Overnight Index Average (**SONIA**) as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on risk free rates,

including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market, or a significant part thereof, may adopt an application of risk free rates that differs (also significantly) from that set out in the Conditions and used in relation to Covered Bonds referenced to a reference rate under the Programme.

Interest on Covered Bonds which reference certain risk free rates is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Covered Bonds which reference such risk free rate to reliably estimate the amount of interest which will be payable on such Covered Bonds.

Furthermore, if the Covered Bonds become due and payable or are otherwise redeemed early on a date other than an Interest Payment Date, the Rate of Interest payable for the final Interest Period in respect of such Covered Bonds shall only be determined immediately prior to the date the Covered Bonds became due and payable and shall not be reset thereafter.

Furthermore, with respect to SONIA linked Covered Bonds, the Issuer may in the future issue Covered Bonds referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA linked Covered Bonds issued by it under the Programme. The nascent development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Covered Bonds issued under the Programme from time to time.

Investors should consider these matters when making their investment decision with respect to any such Floating Rate Covered Bonds.

The administrator of SONIA may make changes that could change the value of SONIA or discontinue SONIA

The Bank of England (or a successor), as administrator of SONIA, may make methodological or other changes that could change the value of SONIA, including changes related to the method by which SONIA is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, or timing related to the publication of SONIA. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SONIA (in which case a fallback method of determining the interest rate on the Covered Bonds will apply). The administrator has no obligation to consider the interests of Bondholders when calculating, adjusting, converting, revising or discontinuing SONIA.

The Covered Bonds are intended to be labelled as "European Covered Bond (Premium)"

The Covered Bonds to be issued under this Prospectus are intended to be labelled as "European Covered Bond (Premium)" as set out under article 7-*viciesbis* of the Securitisation and Covered Bonds Law, provided that they comply with the Securitisation and Covered Bonds Law, the Bank of Italy Regulations and article 129 of the CRR.

Given that labelling as "European Covered Bond (Premium)" depends on the fulfilment of the legal requirements set out in the Securitisation and Covered Bonds Law, the Bank of Italy Regulations and article 129 of the CRR, prospective investors should assess the compliance of the relevant Series of Covered Bonds with such legal requirements at the time when the relevant

investment is made and at any time thereafter. No assurance or representation is made by the Issuer, the Guarantor, the Joint Arrangers, the Dealers or any other party that any Series of Covered Bonds issued under the Programme will comply at all times with the legal requirements necessary to be labelled as "European Covered Bond (Premium)".

Risks related to the Guarantor

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

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

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

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

Limited resources available to the Guarantor

Following the occurrence of an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and on the Guarantor, all amounts payable under the Covered Bonds will be accelerated by the Representative of the Bondholders as against the Issuer, following which the Guarantor will be under an obligation to pay the Bondholders pursuant to the Guarantee. The Guarantor's ability to meet its obligations under the Guarantee will depend on (a) the amount of interest and principal generated by the Cover Pool and the timing thereof, (b) amounts received from the Swap Providers and (c) the proceeds of any Eligible Investments.

The Guarantor will not have any other source of funds available to meet its obligations under the Guarantee.

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

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

Reliance of the Guarantor on third parties

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

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

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

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

Reliance on Swap Providers

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

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

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

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment will rank ahead of amounts due on the Covered Bonds (in respect of any Cover Pool Swap Agreement) and with amounts due under the Guarantee (in respect of any Interest Rate Swap Agreement). Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Guarantor to meet its obligations under the Covered Bonds or the Guarantee.

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

VAT Group

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

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

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

Risks related to the underlying assets

Integration Limits

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

More specifically, under the Bank of Italy Regulations, the integration of the Cover Pool is allowed exclusively for the purpose of (a) complying with the Mandatory Tests; (b) complying with the Liquidity Buffer Requirement or (c) complying with the Integration Limits within the Cover Pool.

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

Limited description of the Cover Pool

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

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

- the Seller (or any Additional Seller(s), if any) repurchasing Receivables in accordance with the Master Receivables Purchase Agreements.

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

Nonetheless, the main Cover Pool composition details are available on the Issuer's website and updated on a quarterly basis pursuant to article 7-*septiesdecies* of the Securitisation and Covered Bonds Law and the Bank of Italy Regulations.

Maintenance of the Cover Pool

Pursuant to the terms of the Master Receivables Purchase Agreement, the Seller has agreed, (or will agree, in case of any Additional Seller(s) pursuant to the relevant Master Receivables Purchase Agreement) to transfer (i) Subsequent Portfolios of Eligible Assets, Substitution Assets and/or Liquid Assets to the Guarantor and the Guarantor has agreed to purchase Subsequent Portfolios of Eligible Assets, Substitution Assets and/or Liquid Assets in order to ensure that the Cover Pool is in compliance with the Tests, or (ii) Subsequent Portfolios of Liquid Assets only in order to ensure the compliance of the Cover Pool with the Liquidity Buffer Requirement. In addition, the Seller (and the Additional Seller(s) (if any)) may transfer to the Guarantor, and the Guarantor shall purchase from Banco BPM, Subsequent Portfolios of Eligible Assets, Substitution Assets and/or Liquid Assets in order to ensure the compliance of the Cover Pool with the Integration Limits. Each Initial Portfolio Purchase Price shall be funded through the proceeds of the first Term Loan under the relevant Subordinated Loan Agreement. Each Subsequent Portfolio Purchase Price will be funded as follows (A) (i) the purchase price of Subsequent Portfolios of Eligible Assets may be financed through the Guarantor Available Funds and also through the proceeds of a Term Loan under the Subordinated Loan Agreement, (ii) the purchase price of Subsequent Portfolios of Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Integration Limits) shall be entirely funded using any Guarantor Available Funds available for such purpose in accordance with the Pre-Issuer Default Principal Priority of Payments, (iii) the purchase price of Subsequent Portfolios of Substitution Assets (if transferred for the purpose of ensuring the

compliance of the Cover Pool with the Tests) will be financed only through the proceeds of a Term Loan under the Subordinated Loan Agreement, and (iv) the purchase price of Subsequent Portfolios of Liquid Assets will be financed only through the proceeds of a Term Loan under the Subordinated Loan Agreement.

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

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

Prior to the delivery of an Issuer Default Notice and subject to receipt of the relevant information from the Issuer, the Asset Monitor will perform specific agreed upon procedures set out in an engagement letter entered into with the Issuer on 6 April 2016, as subsequently amended, supplemented and/or replaced, concerning the compliance of the Programme with article 7-*sexies*, articles 7-*octies* to 7-*terdecies*, and article 7-*septiesdecies* of the Securitisation and Covered Bonds Law and with the provisions set out under the Bank of Italy Regulations, including, *inter alia*, (i) the fulfilment of the eligibility criteria set out under the Securitisation and Covered Bonds Law and the Bank of Italy Regulations with respect to the Eligible Assets, Substitution Assets and Liquid Assets included in the Cover Pool; (ii) the arithmetical accuracy of the calculations performed by the Issuer as Calculation Agent in respect of the Mandatory Tests, the Minimum Overcollateralisation Requirement, the Liquidity Buffer Requirement and the Integration Limits; (iii) the compliance with the internal limits to the transfer of the Eligible Assets, Substitution Assets and Liquid Assets set out under Title I-*bis* of the Securitisation and

Covered Bonds Law and article 129 of the CRR); (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement, if and when entered into in the context of the Programme; (v) the segregation of the Eligible Assets included in the Portfolio according to article 7-*octies* of the Securitisation and Covered Bonds Law; (vi) the correct application and notification of the extension of the maturity of the Covered Bonds issued as required by the Securitisation and Covered Bonds Law; and (vii) the completeness, truthfulness and timely delivery of the information provided to investors pursuant to the Securitisation and Covered Bonds Law and the Bank of Italy Regulations. In addition, the Asset Monitor will, pursuant to the terms of the Asset Monitor Agreement, (a) prior to the delivery of an Issuer Default Notice, verify on behalf of the Issuer, on a semi-annual basis or more frequently upon downgrading of the Issuer below Ba3 by Moody's, the calculations performed by the Calculation Agent in respect of the Asset Coverage Test; and (b) following the delivery of an Issuer Default Notice, verify, on behalf of the Guarantor, the calculations performed by the Calculation Agent in respect of the Mandatory Tests on a semi-annual basis and more frequently in certain circumstances and in respect of the Amortisation Test on a monthly basis. See further "*Description of the Transaction Documents – Asset Monitor Agreement*".

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

Sale of the Eligible Assets, Substitution Assets and/or Liquid Assets following the delivery a Breach of Tests Notice, a breach of the Liquidity Buffer Requirement or an Issuer Default Notice

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

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

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

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

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

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

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

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

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

Value of the Cover Pool

The Guarantee granted by the Guarantor in respect of the Covered Bonds will be backed by the Cover Pool and the recourse against the Guarantor will be limited to such assets. Since the economic value of the Cover Pool may increase or decrease, the value of the Guarantor's assets may decrease (for example if there is a general decline in property values). The Issuer makes no representation, warranty or guarantee that the value of a Real Estate Asset will remain at

the same level as it was on the date of the origination of the related Mortgage Loan or at any other time. If the residential property market in Italy experiences an overall decline in property values, the value of the Mortgage Loan could be significantly reduced and, ultimately, may result in losses to the Bondholders if such security is required to be enforced.

No representations or warranties to be given by the Guarantor or the Seller (or any Additional Seller(s), as the case may be) if Selected Assets and their related Security Interests are to be sold

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

Default by borrowers in paying amounts due on their Mortgage Loans

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

The recovery of amounts due in relation to Non Performing Receivables will be subject to the effectiveness of enforcement proceedings in respect of the Cover Pool which in Italy can take a considerable time depending on the type of action required and where such action is taken and on several other factors, including the following: proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national

average; obtaining title deeds from land registries which are in process of computerising their records can take up to two or three years; further time is required if it is necessary to obtain an injunction decree (*decreto ingiuntivo*) and if the relevant Debtor raises a defence to or counterclaim in the proceedings; and it takes an average of six to eight years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any Real Estate Asset.

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

Insurance coverage

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

Changes to the lending criteria of the Seller

Each of the Mortgage Loans originated by the Seller (or any Additional Seller(s), as the case may be) will have been originated in accordance with its lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by the Seller (or any Additional Seller(s), as the case may be), but originated by a person other than the Seller (or any Additional Seller(s), as the case may be) (a **Third Party Originator**), will have been originated in accordance with the lending criteria of such Third Party Originator at the time of origination. It is expected that the Seller (or any Additional Seller(s), as the case may be)' or the relevant Third Party Originator's, as the case may be, lending criteria will generally consider type of property, term of loan, age of applicant, the loan-to-value ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants and credit history. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, each of the Seller (or any Additional Seller(s), as the case may be) will warrant that (a) such Mortgage Loans as were originated by it were originated in accordance with the Seller (or any Additional Seller(s), as the case may be)' lending criteria applicable at the time of origination and (b) such Mortgage Loans as were originated by a Third Party Originator, were originated in accordance with the relevant Third Party Originator's lending criteria applicable at the time of origination. The Seller (or any Additional Seller(s), as the case may be) retains the right to revise its lending criteria from time to time subject to the terms of the relevant Master Receivables Purchase Agreements. Other Third Party Originators may additionally revise their lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by Borrowers and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Guarantee. However, Non Performing Receivables in the Cover Pool will be given a zero weighting for the purposes of the calculation of the Mandatory Tests, the Amortisation Test and the Asset Coverage Test.

Legal risks relating to the Mortgage Loans

The ability of the Guarantor to recover payments of interest and principal from the Mortgage Loans is subject to a number of legal risks. Further details on certain considerations in relation to the regulation of mortgages in Italy are set out in the section headed "*Description of certain relevant legislation in Italy*" and certain specific risks are set out below.

Mortgage borrower protection

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

- the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty;
- the right to the substitution (*portabilità*) of a mortgage loan with another mortgage loan and
- the right to suspend instalment payments relating to mortgage loans. Further details are set out in the section headed "*Description of certain relevant legislation in Italy – Mortgage Borrower protection*".

These legislations constitute an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required. However, as this legislation is relatively new, as at the date of this Prospectus, the Issuer is not in a position to predict its impact.

Mortgage Credit Directive

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

In Italy, the Government has approved the Legislative Decree No. 72 of 21 April 2016, implementing the Mortgage Credit Directive and published on the Official Gazette of the Republic of Italy on 20 May 2016 (the **Mortgage Legislative Decree**), which, moreover, sets forth certain rules of correctness, diligence and transparency and information undertakings applicable to the lenders and intermediaries which offer loans to consumers. and provides that the paries may agree under the loan agreements that in case of breach of the borrower's payment obligations under the agreement (i.e. non-payment of at least eighteen loan instalments, or due and payable by the debtor) the property of the debtor subject to security the proceeds deriving from the thereof can be transferred to the creditor in discharge of the entire debt even if the value of the assets or the proceeds deriving from the sale of the asset is lower than the remaining amount due by the borrower in relation to the loan agreement.

Given the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Prospectus. Further details are set out in the section headed "*Description of certain relevant legislation in Italy –Mortgage Credit Directive*".

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

Debtors may become subject to a debt restructuring arrangement or a court-supervised liquidation in accordance with the Italian Insolvency Code

The Italian Insolvency Code provides for special composition procedures for situations of over-indebtedness (*procedure di composizione della crisi da sovraindebitamento*), and for a special court-supervised liquidation for situations of over-indebtedness (*liquidazione controllata del sovraindebitamento*), which apply to (i) consumers, professionals, small enterprises who/which are in a situation of crisis or insolvency, and (ii) any other debtor which can not be subject to judicial liquidation (*liquidazione giudiziale*) or any other liquidation procedure under Italian law applicable for situations of crisis (*crisi*) or insolvency (*insolvenza*).

Over-indebtedness occurs either in a situation of crisis or in a situation of insolvency. Crisis is the condition that makes insolvency likely to happen, and it occurs when the perspective cash flow shows that the debtor will become unable to pay its debts as they fall due within the subsequent 12 months; insolvency is the inability to repay debts as they fall due.

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

Reduced interest rate margin

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

Risks related to the market

Limited secondary market

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

Market declines and volatility

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

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

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral. The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Banco BPM Group's business, financial condition and/or results of operations.

Exchange rate risks and exchange controls

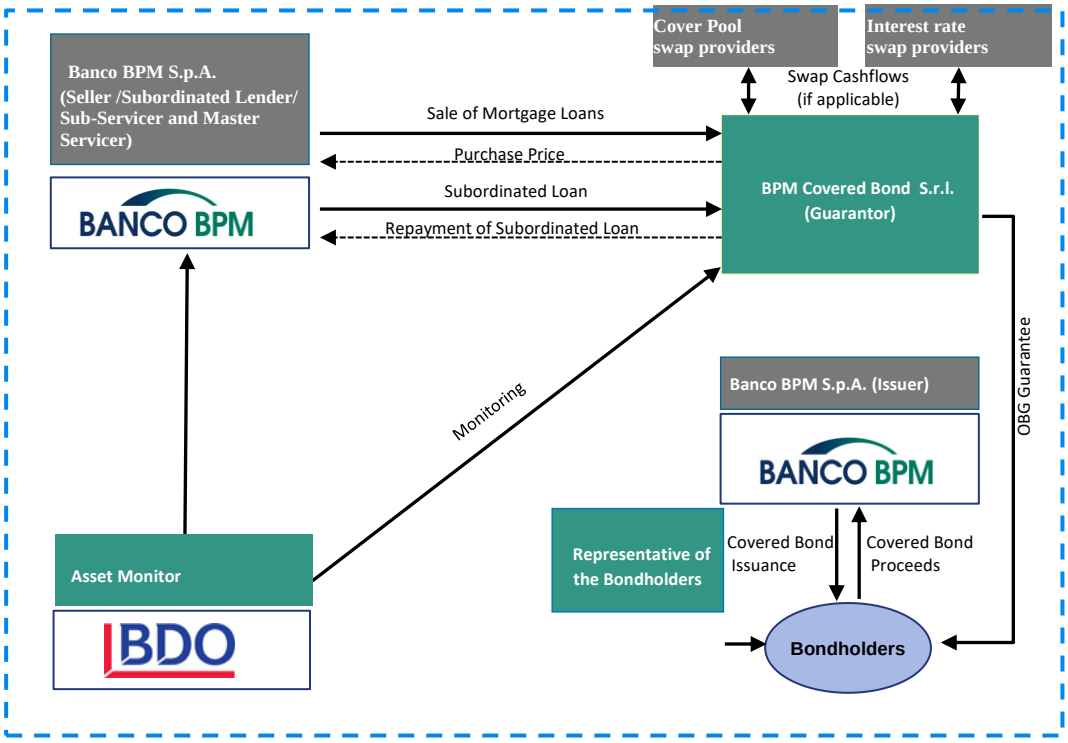
The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified 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.

STRUCTURE OVERVIEW

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

Structure Diagram



Structure Overview

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

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

Availability Period within the limits of the Total Commitment. Payments by the Issuer of amounts due under the Covered Bonds are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement. Amounts owed by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

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

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

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

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

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

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

  After the occurrence of a Segregation Event payments due under the Covered Bonds will continue to be made by the Issuer until an Issuer Default Notice has been served to the Issuer and the Guarantor will make payments in accordance with the Pre-Issuer

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

In case of compulsory liquidation (*liquidazione coatta amministrativa*) or, to the greatest extent permissible by law and without prejudice to Condition 11.2(iv), resolution (*risoluzione*) of the Issuer or following service on the Issuer and on the Guarantor of an Issuer Default Notice (but prior to a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor) the Guarantor will use all Guarantor Available Funds to pay Guaranteed Amounts when the same shall become Due for Payment, subject to paying certain higher ranking obligations of the Guarantor in the Guarantee Priority of Payments. In such circumstances, the Seller will only be entitled to receive payment from the Guarantor of interest, Premium and repayment of principal under the relevant Term Loans after all amounts due under the Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

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

- *Mandatory Tests*: The Programme provides that the assets of the Guarantor are subject to certain tests intended to ensure that the Guarantor can meet its obligations under the Guarantee as set out under article 7-*undecies* of the Securitisation and Covered Bonds Law and to demonstrate their capacity to produce funds to service any payments due and payable under the Covered Bonds upon enforcement of the Guarantee. Accordingly, for so long as any Covered Bonds remain outstanding, the Issuer must always ensure that the following tests are satisfied on each Calculation Date:

  (a) *Nominal Value Test:* the aggregate outstanding principal balance of the Eligible Cover Pool (excluding, for the avoidance of doubt, the Eligible Swap Agreements (if any)) shall be higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date, provided that the Minimum Overcollateralisation Requirement shall at all times be met;

  (b) *Net Present Value Test*: the net present value of the Eligible Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limits transferred pursuant to the Master Receivables Purchase Agreements and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (inclusive of any payments of any

nature expected to be received by the Guarantor with respect to the Eligible Swap Agreements (if any)), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to the Eligible Swap Agreements (if any) and the Expected Programme Unwinding Costs) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date;

(c) *Interest Coverage Test*: the amount of interest and other revenues generated by the assets included in the Eligible Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limits transferred pursuant to the Master Receivables Purchase Agreements and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (inclusive of any payments of any nature expected to be received by the Guarantor with respect to the Eligible Swap Agreements (if any)), net of the costs borne by the Guarantor (including the payments of any nature expected or due with respect to the Eligible Swap Agreements (if any)), shall be higher than the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date.

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

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

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

- *Liquidity Buffer Requirement*: Pursuant to article 7-*duodecies* of the Securitisation and Covered Bonds Law and the Bank of Italy Regulations, the Issuer shall ensure that, on a continuing basis, the amount of Liquid Assets comprised in the Cover Pool is equal to or higher than the maximum cumulative Net Liquidity Outflow of the Programme over the next 180 days, provided that, for the purposes of calculating the Net Liquidity Outflows, the Principal Amount Outstanding of the Covered Bonds shall be deemed to be due on the relevant Extended Maturity Date (where applicable) and not on the relevant Final Maturity Date. For a more detailed description, see section "*Credit Structure - Liquidity Buffer Requirement*" below.

- *Integration Limits*: for the purposes of article 129 of the CRR, the aggregate amount of the Substitution Assets and the Liquid Assets included in the Cover Pool shall not be in excess of the Integration Limits. In order to ensure the compliance of the Cover Pool with the Integration Limits. For a more detailed description, see section "*Credit Structure - Integration Limits*" below.

- *Extendable obligations under the Guarantee*: An Extended Maturity Date may be specified as applying in relation to a Series of Covered Bonds in the applicable Final Terms. This means that if the Issuer fails to pay the Final Redemption Amount of the relevant Series of Covered Bonds on the relevant Maturity Date and if the Guaranteed Amounts equal to the Final Redemption Amount of the relevant Series of Covered Bonds are not paid in full by the Guarantor on or before the Extension Determination Date (for example, because following the service of an Issuer Default Notice on the Guarantor the Guarantor has or will have insufficient moneys available in accordance with the Guarantee Priority of Payments to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount of the relevant Series of Covered Bonds), then payment of the unpaid amount pursuant to the Guarantee shall be automatically deferred and shall become due and payable by the Extended Maturity Date (subject to any applicable grace period). However, any amount representing the Final Redemption Amount (as defined below) due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Guarantor Payment Date thereafter, up to (and including) the relevant Extended Maturity Date within the limit of the Guarantor Available Funds. Interest will continue to accrue on any unpaid amount during such extended period and be payable on each Guarantor Payment Date up to the Extended Maturity Date in accordance with Condition 8 (*Redemption and Purchase*).

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

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

SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the English translation of audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2022 (the **2022 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith. The 2022 Annual Financial Statements are available at https://gruppo.bancobpm.it/media/dlm_uploads/Annual-Report_BPM_2022.pdf;

(b) the English translation of audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2023 (the **2023 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith. The 2023 Annual Financial Statements are available at https://gruppo.bancobpm.it/media/dlm_uploads/Annual-Report-2023-1.pdf;

(c) the English translation of the press release issued on 8 February 2024 on the consolidated results of Banco BPM as at and for the year ended on 31 December 2023 (the **8 February 2024 Press Release**), with exclusion of the first paragraph on page 2, which is available at https://gruppo.bancobpm.it/media/dlm_uploads/2024_02_08-Banco-BPM-FY-2023-Group-Results.pdf;

(d) the English translation of the press release issued on 7 May 2024 on the consolidated results of Banco BPM as at and for the three months ended on 31 March 2024 (the **7 May 2024 Press Release**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/2024_05_07-Banco-BPM-Q1-2024-Group-Results-1.pdf;

(e) the sections entitled "*Terms and Conditions of the Covered Bonds*" on pages 86 to 141 of the base prospectus relating to the programme dated 21 September 2023 (the **2023 Prospectus**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/BPM-OBG1-21-September-2023-Base-Prospectus.pdf;

(f) the English translation of articles of association (*statuto*) of the Issuer (incorporated for information purposes) (the **Articles of Association**), which is available at https://gruppo.bancobpm.it/media/dlm_uploads/Statuto-BBPM-ENG_07.04.2022.pdf;

(g) the audited non consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2023, audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith, which are available at https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond_Financial-Statements-as-at-31-December-2023-with-Audit-Opinion.pdf; and

(h) the audited non consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2022, audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith, which are available at

https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond_Financial-Statements-as-at-31-December-2022-with-Audit-Op.pdf.

Any statement contained in this Prospectus or in a document which is incorporated by reference herein (including without limitation the documents listed under (a) to (h)) shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 23 of the Prospectus Regulation modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of this Prospectus and the documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer and from the principal office in Luxembourg of BNP Paribas, Luxembourg Branch (the **Luxembourg Listing Agent**) for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's web site (https://www.luxse.com/programme/Programme-BcBPM/13534) and the Issuer's website (https://gruppo.bancobpm.it/en/).

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

Cross Reference List

The following table shows where the information incorporated by reference into this Prospectus can be found in the above mentioned documents incorporated by reference into this Prospectus. Any other information contained in any of the documents specified below that is not included in the cross-reference list below is either not relevant to investors or is covered elsewhere in this Prospectus.

(a) Banco BPM S.p.A.

Document	Information incorporated	Page numbers
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2022	Significant Events During the Year	30-39
	Consolidated financial statements:	
	Consolidated Balance sheet	146-147
	Consolidated Income statement	148
	Statement of consolidated comprehensive income	149
	Statement of changes in consolidated shareholders' equity	150-151
	Consolidated cashflow statement	152-153
	Notes to the consolidated financial statements	155-547
	Independent Auditors' Report on the consolidated financial statements	553-565*

Document	Information incorporated	Page numbers
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2023	Significant Events During the Year	27-39
	Results	40-75
	Results by business segments	76-126
	Consolidated financial statements:	
	Consolidated Balance sheet	160-161
	Consolidated Income statement	162
	Statement of consolidated comprehensive income	163
	Statement of changes in consolidated shareholders' equity	164-165
	Consolidated cashflow statement	166-167
	Notes to the consolidated financial statements	169-591
	Independent Auditors' Report on the consolidated financial statements	597-609*
8 February 2024 Press Release	Entire document, with the exclusion of (i) the fourth, fifth and sixth bullet points on page 1 and (ii) the last paragraph of the section entitled "*Business Outlook*" on page 18	1-31
7 May 2024 Press Release	Entire document, with the exclusion of the last paragraph of the section entitled "Business Outlook" on page 12	1-22
2023 Prospectus	Terms and conditions of the Covered Bonds	86-141
Articles of Association	Entire document	1-58 of the PDF

* The page numbers identified are those of the complete consolidated annual report of Banco BPM relating to the year ended December 2022 and 2023, respectively including, *inter alia*, the 2022 Annual Financial Statements and the 2023 Annual Financial Statements, respectively.

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

Document	Information incorporated	Page numbers
BPM Covered Bond S.r.l. Audited Non-consolidated Annual Financial Statements as at and for the Financial Year Ended 31 December 2022	Balance sheet	23
	Income statement	23
	Statement of comprehensive income	24
	Statement of changes in quotaholders' equity	25-26
	Statement of cash flows	27
	Explanatory notes	28-68
	Report of independent auditors	19-22
BPM Covered Bond S.r.l. Audited Non-consolidated Annual Financial Statements as at and for the Financial Year Ended 31 December 2023	Balance sheet	24
	Income statement	24
	Statement of comprehensive income	25
	Statement of changes in quotaholders' equity	26-27
	Statement of cash flows	28
	Explanatory notes	29-69
	Report of independent auditors	70-73 of the PDF

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

TERMS AND CONDITIONS OF THE COVERED BONDS

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

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

1. Introduction

(a) *Programme*: Banco BPM S.p.A. (formerly Banca Popolare di Milano S.c. a r.l.) (the **Issuer**) has established a covered bond programme (the **Programme**) for the issuance of up to €10,000,000,000 in aggregate principal amount of European covered bonds (*obbligazioni garantite europee*) (the **Covered Bonds**) pursuant to the terms and conditions of this Prospectus and the conditions of the Programme Agreement and in accordance with Title 1-*bis* of law No. 130 of 30 April 1999 (as amended from time to time, the **Securitisation and Covered Bonds Law**) which has implemented Directive (EU) 2019/2162 of 29 November 2019 establishing a common framework for covered bonds and Part III, Chapter 3 of the *Circolare* No. 285 of 17 December 2013 (as amended from time to time, including on 30 March 2023, the **Bank of Italy Regulations**).

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

(c) *Guarantee*: Each Series of Covered Bonds is the subject of a guarantee dated 11 July 2008 (as amended, supplemented or restated from time to time, the **Guarantee**) entered into between the Guarantor and the Representative of the Bondholders for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme. The Guarantee will be backed by the Cover Pool (as defined below). The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments.

(d) *Programme Agreement and Subscription Agreement*: The Issuer and the Dealer(s) have agreed that any Covered Bonds of any Tranche which may from time to time be agreed

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

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

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

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

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

(i) *Summaries*: Certain provisions of these Conditions are summaries of the Transaction Documents and are subject to their detailed provisions. Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents applicable to them. Copies of the Transaction Documents are available for inspection by Bondholders during normal business hours at the registered office of the Representative of the Bondholders from time to time and, where applicable, at the Specified Office(s) of the Paying Agents.

2. **Interpretation**

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

Account means each of the Collection Accounts, the Transaction Account, the Investment Account, the Securities Account, the Reserve Account, the Expenses

Account and the Quota Capital Account and any other account which may be opened in the name of the Guarantor pursuant to the terms of the Transaction Documents.

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

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

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

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

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

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

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

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

Administrative Services Agreement means the agreement entered into on 22 October 2021 between the Guarantor and the Guarantor Administrative Servicer pursuant to which the Guarantor Administrative Servicer will provide certain administration services to the Guarantor, as amended, supplemented or restated from time to time.

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

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

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

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

Article 74 Event Cure Notice means the notice to be served by the Representative of the Bondholders on the Issuer, the Guarantor and the Asset Monitor, stating that the Article 74 Event has been revoked.

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

Asset Monitor Agreement means the asset monitor agreement entered into on 11 July 2008 between, *inter alios*, the Asset Monitor and the Issuer, as amended, supplemented or restated from time to time.

Authorised Signatory means, in relation to Banco BPM or any other person, any person who is duly authorised and in respect of whom the Guarantor has received a certificate signed by a director or another Authorised Signatory of Banco BPM or such other person setting out the name and signature of such person and confirming such person's authority to act.

Back-up Account Bank means The Bank of New York Mellon SA/NV – Milan Branch or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payment Agreement.

Back-Up Servicer means any entity which may be appointed as Back-up Servicer by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 7 of the Servicing Agreement and Clause 5.3 of the Intercreditor Agreement.

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

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

Bank of Italy Regulations means Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (*Circolare* No. 285 of 17 December 2013), as subsequently replaced by Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (*Circolare* No. 285 of 17 December 2013) dated 30 March 2023, as amended or supplemented from time to time.

Beneficiaries means the Bondholders and the Other Guarantor Creditors and any other person or entity entitled to receive a payment from the Issuer and/or the Guarantor under the Programme, in accordance with article 7-*bis* of the Securitisation and Covered Bonds Law (as subsequently replaced by Title 1-*bis* of the Securitisation and Covered Bonds Law).

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

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

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

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

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

Business Day means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the real time gross settlement system operated by the Eurosystem (T2) (or any successor thereto) is open.

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

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

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

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

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

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

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

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

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

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

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

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

Call Option has the meaning given in the Condition 8 (d) (*Redemption at the option of the Issuer*).

Cash Allocation, Management and Payment Agreement means the Cash Allocation, Management and Payment Agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Servicer, the initial Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders, as amended, supplemented or restated from time to time.

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

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

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

Collection Account means the BPM S.p.A. Collection Account and any other account which may be opened in accordance with clause 3.3 of the Cash Allocation, Management and Payments Agreement and **Collection Accounts** means all of them.

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

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

Commercial Mortgage Loan means a commercial mortgage loan meeting the requirements of article 129, paragraph 1, letter f), of the CRR and article 7-*novies*, paragraph 2, letters a) and b), of the Securitisation and Covered Bonds Law.

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

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

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

Corporate Services Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain administration services to the Guarantor, as amended, supplemented or restated from time to time.

Corresponding Series of Covered Bonds means, in respect of a Term Loan, the Series of Covered Bonds issued or to be issued.

Covered Bonds means each series of European covered bonds (*obbligazioni garantite europee*) issued or to be issued by the Issuer pursuant to the terms and conditions of this Prospectus and the conditions of the Programme Agreement and in accordance with Title 1-*bis* of the Securitisation and Covered Bonds Law which has implemented Directive (EU) 2019/2162 of 29 November 2019 establishing a common framework for covered bonds and the Bank of Italy Regulations.

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

Cover Pool Management Agreement means the agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Calculation Agent and the Representative of the Bondholders, as amended, supplemented or restated from time to time.

Cover Pool Swap Agreement means any interest swap agreement from time to time entered into in respect of the Cover Pool.

Cover Pool Swap Provider means Banco BPM or any other entity acting as such pursuant to the Cover Pool Swap Agreement (if any).

CRR means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and as amended by Regulation (EU) 2019/2160 of the European Parliament and of the Council of 29 November 2019 as regards exposures in the form of covered bonds.

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

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

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

Dealer means each of Barclays Bank Ireland PLC, UBS Europe SE, Banca Akros S.p.A. – Gruppo Banco BPM and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (Form of Dealer Accession Letter) of the Programme Agreement.

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

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

Deed of Charge means the English law deed of charge entered into on or about the First Issue Date between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) and/or each supplemental deed entered into pursuant thereto, as amended, supplemented or restated from time to time.

Deed of Pledge means the Italian law deed of pledge entered into on 11 July 2008 between the Guarantor and the Representative of the Bondholders (acting on behalf of the Bondholders and of the Other Guarantor Creditors), as amended, supplemented or restated from time to time.

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

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

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

(b) any Subsequent Portfolio of Eligible Assets, Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Tests)

and/or Liquid Assets, the date on which the purchase price for such Eligible Assets, Substitution Assets and/or Liquid Assets has to be paid to Banco BPM by the Guarantor pursuant to the terms of the Master Receivables Purchase Agreement and/or the Cover Pool Management Agreement (as applicable).

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

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

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

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

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

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

Eligible Assets means the following assets:

(i) the Residential Mortgage Loans;

(ii) the Commercial Mortgage Loans;

(iii) the Public Entity Receivables; and

(iv) the Public Entity Securities;

Eligible Cover Pool means the aggregate amount of Eligible Assets, Substitution Assets and Liquid Assets (including (i) any sum standing to the credit of the Accounts and (ii) the Eligible Investments) provided that (i) any Non Performing Receivable and those Eligible Assets, Substitution Assets or Liquid Assets for which a breach of the representations and warranties granted under Clause 3(c)(i) of the Warranty and Indemnity Agreement has occurred and has not been remedied will not be considered for the purpose of the calculation, (ii) any Mortgage Loan in respect of which the relevant loan to value ratio exceeds the percentage limit set forth under article 129, paragraph 1, of the CRR will be calculated up to an amount of principal which – taking into account the market value of the Real Estate Assets related to that Mortgage Loan allows the compliance with such percentage limit, (iii) the aggregate of the Substitution

Assets and Liquid Assets in excess of the Integration Limits will not be considered for the purposes of the calculation, (iv) in accordance with article 7-*undecies*, paragraph 2, letter a) of the Securitisation and Covered Bonds Law, unsecured receivables, in case a default pursuant to article 178 of the CRR occurs, will not be considered for the purpose of the calculation, (v) any Receivable which is secured by a Real Estate Asset which is not insured against the risk for damages in accordance with article 7-*nonies*, paragraph 2, letter a), of the Securitisation and Covered Bonds Law will not be considered for the purpose of the calculation, and (vi) any Eligible Swap Agreement will be considered only for the purposes of the calculation of the Net Present Value Test and the Interest Coverage Test.

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

Eligible Investment means:

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

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

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

(iv) reserve accounts, deposit accounts, and other similar accounts that provide direct liquidity and/or credit enhancement held at a financial institution rated at least "Baa3" and/or "P-3" by Moody's, and/or

(v) securities lending transactions with the counterparty acting as borrower regulated under the Global Master Securities Lending Agreements governed by English law provided that (a) the underlying securities comply with the requirements set out in paragraph (i), (ii) and (iii) above, (b) the counterparty acting as borrower of the Guarantor acting as lender under the securities lending transaction is a credit institution (including, without limitation, the Account Bank, to the extent they qualify as Eligible Institutions) qualifying as an Eligible

Institution, (c) such securities lending transactions are immediately repayable on demand subject to a notice period, disposable without penalty or loss or have a maturity date falling no later than the immediately following Eligible Investment Maturity Date, (d) the counterparty acting as borrower of the Guarantor has acceded to the Intercreditor Agreement and has agreed to be bound by the provisions thereof and (e) in case of downgrade of the relevant counterparty below the minimum ratings by Moody's, the Guarantor shall terminate in advance the securities lending transaction within 35 calendar days from the downgrade,

provided in all cases that (A) any such investments mature on or before the next following Guarantor Payment Date or are disposable at no loss, (B) if any such investments consist of exposures to credit institutions, they shall be (i) exposures to credit institutions qualifying for "credit quality step" 1 or "credit quality step" 2, or (ii) exposures in the form of deposits with an original maturity not exceeding 100 days to credit institutions qualifying for "credit quality step" 3 under the CRR; (C) none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time; (D) no amount available to the Guarantor in the context of the Programme may be otherwise invested in asset backed securities, irrespective of their subordination, status, or ranking at any time; and (E) any such investments shall comply with the requirements under article 129 of the CRR.

Eligible Investment Date means the second, tenth, seventeenth and twentyfifth Business Day of each month or, in any event, the date on which the balance standing to the credit of each of the Transaction Account and the Reserve Account exceeds Euro 2,500,000 respectively.

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

Eligible Swap Agreement means any Swap Agreement which meets the requirements of article 129, paragraph 1, letter c), point ii), of the CRR and article 7-*decies* of the Securitisation and Covered Bonds Law.

EU Insolvency Regulation means EU Insolvency Regulation 2015/848/EU, as amended, supplemented or replaced from time to time.

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

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

Euroclear means Euroclear Bank SA/NV, with offices at 1 boulevard du Roi Albert II, B-1210 Brussels.

Expenses Account means the euro denominated account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement, or

such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

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

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

Extraordinary Resolution has the meaning given in the Rules of the Organisation of Bondholders attached to these Conditions.

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

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

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

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

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

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

Fixed Rate Provisions means Condition 5 (*Fixed Rate Provisions*).

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

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

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

Guarantee means the guarantee issued on 11 July 2008 by the Guarantor for the benefit of the Beneficiaries, as amended, supplemented or restated from time to time.

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

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

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

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

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

Guarantor means BPM Covered Bond S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to the Securitisation and Covered Bonds Law, having its registered office at Via Curtatone, 3, Rome, Italy, fiscal code and enrolment with the companies' register (*registro delle imprese*) of Rome No. 09646111006.

Guarantor Administrative Servicer means Banco BPM S.p.A. or any other entity acting as such pursuant to the Administrative Services Agreement.

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

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

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

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

Guarantor Payment Date means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th day of January, April, July and October or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

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

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

(i) such company, entity or corporation has become subject to any applicable liquidation, administration, insolvency, composition or reorganisation judicial liquidation (*liquidazione giudiziale*), compulsory administrative liquidation (*liquidazione coatta amministrativa*), recovery plans (*piani di risanamento*), debt restructuring agreements (*accordi di ristrutturazione del debito*),

extraordinary administration (*amministrazione straordinaria*), negotiated crisis settlement and simplified composition (*composizione negoziata della crisi* and *concordato semplificato*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

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

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

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

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

Integration Limits means the limits set forth under article 129, paragraph 1a., of the CRR, as may be amended and/or supplemented from time to time, being as at the date hereof:

(i) for exposures to credit institutions that qualify for credit quality step 1, the exposure shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing credit institution;

(ii) for exposures to credit institutions that qualify for credit quality step 2, the exposure shall not exceed 10% of the nominal amount of outstanding covered bonds of the issuing credit institution;

(iii) for exposures to credit institutions that qualify for credit quality step 3 that take the form of short-term deposits, as referred to in article 129, paragraph 1, letter (c)(i) of the CRR, or the form of derivative contracts, as referred to in article 129, paragraph 1, letter (c)(ii) of the CRR, the total exposure shall not exceed 8% of the nominal amount of outstanding covered bonds of the issuing credit institution; the competent authorities designated pursuant to Article 18(2) of Directive (EU) 2019/2162 may, after consulting European Banking Authority, allow exposures to credit institutions that qualify for credit quality step 3 in the form of derivative contracts, provided that significant potential concentration problems in the Member States concerned due to the application of credit quality step 1 and 2 requirements referred to in this paragraph can be documented;

(iv) the total exposure to credit institutions that qualify for credit quality step 1, 2 or 3 shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing credit institution and the total exposure to credit institutions that qualify for credit quality step 2 or 3 shall not exceed 10% of the nominal amount of outstanding covered bonds of the issuing credit institution.

Intercreditor Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Other Guarantor Creditors, as amended, supplemented or restated from time to time.

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

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

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

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

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make payments in respect of interest due and payable, pro rata and *pari passu* in respect of each relevant Interest Rate Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and *pro rata* in respect of each relevant Series of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments to a Subordinated Lender under the relevant Subordinated Loan Agreement as described in item Fifth (b) of the Pre-Issuer Default Interest Priority of Payments;

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to

make payments in respect of interest due and payable under the Subordinated Loan Agreements or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of interest on the Covered Bonds under the Guarantee, *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds;

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

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

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

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

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

Interest Coverage Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the amount of interest and other revenues generated by the assets included in the Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limits transferred pursuant to the Master Receivables Purchase Agreement and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (including the payments of any nature expected to be received by the Guarantor with respect to any Eligible Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected to be received by the Guarantor or due to the Swap Providers with respect to any Eligible Swap Agreement), shall be at least equal to the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Interest Determination Cut-off Date means the date which falls 15 (fifteen) calendar days before the end of the Interest Period relating to the Interest Determination Date in respect of which the provisions of Condition 6(e) (*Benchmark discontinuation*) shall be applied by the Issuer;

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

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

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

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

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

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

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

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

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

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

ISDA Definitions means (i) the 2006 ISDA Definitions, (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Series) or (ii) if ISDA 2021 Definitions are specified as being applicable in the relevant Final Terms, the latest version of ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), each as published by ISDA (or any successor) on its website (http://www.isda.org).

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

Issue Date has the meaning given in the relevant Final Terms.

Issuer means Banco BPM.

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

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

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

Liquid Assets means the assets identified under article 7-*duodecies*, paragraph 2, letter a) and letter b), of the Securitisation and Covered Bonds Law, as may be amended and/or supplemented from time to time, being as at the date hereof:

(i) high quality liquid assets pursuant to the Commission Delegated Regulation (EU) 2015/61, adopted pursuant of article 460 of the CRR, which are not been issued by the bank itself, by its parent company, except that the latter is a public sector body other than one bank, by a subsidiary of the issuing bank or by another subsidiary of the parent company or by a securitisation with which the bank has close links; and

(ii) exposures with an original term equal to or less than 90 (ninety) days to banks that are classified in the merit classes of credit 1 or 2 or short-term deposits with any bank classified in credit quality steps 1, 2 or 3, pursuant to the provisions of article 129, paragraph 1, letter c), of the CRR, as amended by Regulation (EU) no. 2160/2019,

provided that such assets satisfy the requirements to qualify as Eligible Investments.

Liquidity Buffer Requirement means the requirement set forth in article 7-*duodecies* of the Securitisation and Covered Bonds Law that the amount of Liquid Assets comprised in the Cover Pool shall, on a continuing basis, be equal to or higher than the maximum cumulative Net Liquidity Outflow of the Programme over the next 180 days, provided that, for the purposes of calculating the Net Liquidity Outflows, the Principal Amount Outstanding of the Covered Bonds shall be deemed to be due on the relevant Extended Maturity Date (where applicable) and not on the relevant Final Maturity.

Joint Arrangers means Barclays Bank Ireland PLC and UBS Europe SE and any other entity appointed as an arranger for the Programme.

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

Mandate Agreement means the mandate agreement entered into on or about 11 July 2008 between the Representative of the Bondholders and the Guarantor, as amended, supplemented or restated from time to time.

Mandatory Tests means the tests provided for under article 7-*undecies*, paragraph 1, of the Securitisation and Covered Bonds Law.

Margin has the meaning given in the relevant Final Terms.

Master Definitions Agreement means the master definitions agreement entered into on or about the First Issue Date by the parties of the Transaction Documents, as amended, supplemented or restated from time to time.

Master Receivables Purchase Agreement means each master receivables purchase agreement entered into between the Guarantor and a Seller, as amended, supplemented or restated from time to time.

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

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

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

Meeting has the meaning set out in the Rules.

Minimum Overcollateralisation Requirement means the requirement for a minimum overcollateralisation equal to 5%, as set out in article 129, paragraph 3-*bis*, of the CRR and in the Bank of Italy Regulations.

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

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

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

Monte Titoli Account Holders means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with article 79-*quarter* of the Financial Laws Consolidation Act and includes any depositary banks approved by Clearstream and Euroclear.

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

Moody's means (i) for the purpose of identifying the entity which has assigned a rating to the Issuer, Moody's France SAS, and (ii) in any other case, Moody's Italia S.r.l., or any of their successors.

Moody's Potential Commingling Amount means: (i) nil, if the Issuer's short term rating is at least "P-2" by Moody's or if any of the remedies provided for under Clauses 3.11(a), 3.11(b) or 3.11(c) of the Servicing Agreement has been implemented, or, in any other case, (ii) 1.6% of the aggregate outstanding principal balance of the Receivables included in the Cover Pool. The amounts under item (ii) above shall be deposited on the Transaction Account and are entitled to be released and become

Principal Available Funds if any of the circumstances described under item (i) above occurs.

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

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

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

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

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

Net Liquidity Outflows means all payment outflows falling due on one day, including principal and interest payments, net of all payment inflows falling due on the same day for claims related to the Cover Pool, calculated in accordance with article 7-*duodecies* of the Securitisation and Covered Bonds Law and Title I-*bis*, Section III, paragraph 3, of the Bank of Italy Regulations, it being understood that, when the Maturity Date of a Series is extended to the relevant Extended Maturity Date, the Principal Amount Outstanding of such Series to be taken into account shall be based on the relevant Extended Maturity Date and not on the relevant Final Maturity Date.

Net Present Value Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the net present value of the Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limit transferred pursuant to the Master Receivables Purchase Agreement and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (including the payments of any nature expected to be received by the Guarantor with respect to any Eligible Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Eligible Swap Agreement and the Expected Programme Unwinding Costs) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Nominal Value Test means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement in order to ensure that, on each Calculation Date, the aggregate Outstanding Principal Balance of the Eligible Cover Pool (excluding, for the avoidance of doubt, the Eligible Swap Agreement (if any)) is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with

their Terms and Conditions at the relevant Calculation Date, provided that the Minimum Overcollateralisation Requirement shall at all times be met.

Non Performing Receivables means any Receivable which qualifies as "non performing" in accordance with the CRR and EU Regulation No. 575/2013 and No. 680/2014, as amended from time to time, as implemented in Italy under the "Circolare della Banca d'Italia del 30 luglio 2008, n. 272 (*Matrice dei Conti*)", as amended supplemented or replaced from time to time.

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

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

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

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

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

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

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

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

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

(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 Bondholders, the place at which such Bondholder receives payment of interest or principal on the Covered Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Term Loan A (provided that all principal amounts outstanding under a relevant Series of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Guarantee, pro rata and *pari passu* in respect of each relevant Series of Covered Bonds,

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

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

(viii) any principal amounts standing to the credit of the Transaction Account, other than the Potential Commingling Amount and/or the Moody's Potential Commingling Amount (to the extent they are not entitled to be released).

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 Principal 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 Principal Paying Agent.

Principal Paying Agent means The Bank of New York Mellon SA/NV – Milan Branch**,** a bank incorporated under the laws of Belgium, having its registered office at Multi Tower, Boulevard Anspachlaan 1 – B-1000 Brussels, Belgium, Belgium, acting

through its Milan branch with office at via Mike Bongiorno 13, 20124 Milan, Italy, fiscal code and enrolment with the companies register of Milan number 09827740961 and registered with the register held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act as a "*filiale di banca estera*" under number 8070 and with ABI code 3351.4 ; or any other entity acting as such in accordance with the Cash Allocation, Management and Payment Agreement.

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

Privacy Law means, collectively, Legislative Decree number 196 of 30 June 2003 and the Personal Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

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

Programme Agreement means the programme agreement entered into on 11 July 2008 between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders, as amended, supplemented or restated from time to time.

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

Programme Maturity Date means the date following 25 years after the date of publication of this Prospectus.

Programme Resolution has the meaning set out in the Rules.

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

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

Public Entity Receivables means receivables satisfying the requirements set forth under article 129, paragraph 1, letter (a) and letter (b) of the CRR and article 7-*novies*, paragraph 1, letter a), of the Securitisation and Covered Bonds Law, provided that, the Public Entity Securities granted by Public Entities located outside the European Economic Area or Switzerland may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

Public Entity Securities means securities satisfying the requirements set forth under article 129, paragraph 1, letter (a) and letter (b) of the CRR and article 7-*novies*, paragraph 1, letter a), of the Securitisation and Covered Bonds Law, provided that, the Public Entity Securities granted by Public Entities located outside the European

Economic Area or Switzerland may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

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

Put Option has the meaning given in the Condition 8 (f) (*Redemption at the option of Bondholders*).

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

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

Quota Capital Account means the euro denominated account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

Quotaholders' Agreement means the agreement entered into on or about the Issue Date between the Guarantor, the Quotaholders and the Representative of the Bondholders.

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

Rating Agency means Moody's.

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

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

(ii) any Accrued Interest as at the relevant Valuation Date and of interest (including default interest) becoming due and payable following the relevant Valuation Date;

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

(iv) all rights in relation to the reimbursement of expenses and in relation to any losses, costs, indemnities and damages and any other amount due to each Seller in relation to the Mortgage Loans, the Mortgage Loan Agreements, including

penalties and any other amount due to each Seller in the case of prepayments of the Mortgage Loans, and to the warranties and insurance related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in connection with the collection and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Valuation Date;

(v) all rights in relation to any amount paid pursuant to any Insurance Policy or guarantee in respect of the Mortgage Loans of which each Seller is the beneficiary;

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

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

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

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

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

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

Regular Period means:

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

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

(iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to

but excluding the next Regular Date, where **Regular Date** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

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

Relevant 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 and Bloomberg) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

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

Representative of the Bondholders means the entity that will act as representative of the holders of each series of Covered Bonds pursuant to the Transaction Documents.

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

Reserve Required Amount means an amount equal to the aggregate amount of:

(a) three twelfth of the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items from (*First*) to (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and

(b) if no Cover Pool Swap Agreement has been entered into, or if a Cover Pool Swap Agreement has been entered into with an entity belonging to the Banco BPM Group, an amount equal to any interest amounts due in relation to any Series of Covered Bonds outstanding in the immediately following three months; or (B) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group, but (i) no Interest Rate Swap Agreement has been entered into in relation to a Series of Covered Bonds or (ii) an Interest Rate Swap Agreement has been entered into with an entity belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due in relation to such Series of Covered Bonds in the immediately following three months; or (C) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group and an Interest Rate Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due to the Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement in the immediately following three

months, calculated applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Interest Rate Swap Agreement determined on a forward basis.

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

Residential Mortgage Loan means a residential mortgage loan meeting the requirements of article 129, paragraph 1, letter d) of the CRR and article 7-*novies*, paragraph 2, letters a) and b), of the Securitisation and Covered Bonds Law.

Retention Amount means an amount equal to €10,000.

Rules means the Rules of the Organisation of the Bondholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

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

Securitisation and Covered Bonds Law means Italian Law No. 130 of 30 April 1999, as amended, supplemented or replaced from time to time.

Securities Account means the securities account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

Security Interest means:

(i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;

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

(iii) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

Segregation Event means the occurrence of a breach of any Mandatory Tests and/or, prior to the delivery of an Issuer Default Notice, the Asset Coverage Test on a given Calculation Date which remains unremedied within the Test Grace Period.

Seller means Banco BPM S.p.A. and any Additional Seller pursuant to the relevant Master Receivables Purchase Agreement.

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

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

Servicing Agreement means the servicing agreement entered into on 8 July 2008 between the Guarantor and the Servicer, as amended, supplemented or restated from time to time.

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

Specified Denomination(s) has the meaning given in the relevant Final Terms, as agreed between the Issuer and the relevant Dealer(s).

Specified Office means:

(i) in the case of the Principal Paying Agent, Via Carducci, 31, 20123 Milan, Italy; or

(ii) in the case of any other Paying Agent, the offices specified in the relevant Final Terms; or

(iii) in the case of the Calculation Agent, Piazza Filippo Meda 4, 20121 Milan, Italy,

or, in each case, such other office in the same city or town as such agent may specify by notice to the Issuer and the other parties to the Cash Allocation, Management and Payment Agreement in the manner provided therein.

Subordinated Lender means Banco BPM S.p.A. and each Additional Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.

Subordinated Loan Agreement means any subordinated loan agreement entered into between a Subordinated Lender and the Guarantor, as amended, supplemented or restated from time to time.

Subsequent Portfolios means any portfolio of Eligible Assets, Substitution Assets and/or Liquid Assets other than the Initial Portfolio which may (or shall, as the case may be) be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement and/or the Cover Pool Management Agreement (as applicable).

Sub-Servicer means each Additional Seller, in its capacity as sub-servicer pursuant to the Servicing Agreement.

Substitution Assets means the assets referred to in article 129, paragraph 1, letter (c), of the CRR (as may be amended or supplemented from time to time), being, as at the date hereof, exposures to credit institutions that qualify for credit quality step 1 or credit quality step 2, or exposures to credit institutions that qualify for credit quality step 3 where those exposures are in the form of:

(i) short-term deposits with an original maturity not exceeding 100 days, where used to meet the cover pool liquidity buffer requirement of Article 16 of Directive (EU) 2019/2162; or

(ii) derivative contracts that meet the requirements of Article 11(1) of Directive (EU) 2019/2162, where permitted by the competent authorities.

Swap Agreements means, collectively, the Interest Rate Swap Agreement(s) and the Cover Pool Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

Swap Collateral means the collateral provided by a Swap Provider to the Guarantor under the relevant Swap Agreements.

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

Swap Providers means, as applicable, the Cover Pool Swap Provider(s), the Interest Rate Swap Provider(s) and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

TARGET Settlement Day means any day on which the real time gross settlement system operated by the Eurosystem, or any successor system (T2) is open for the settlement of payments in Euro.

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

Term Loan means a loan made or to be made available to the Guarantor under the Facility or the principal amount outstanding for the time being of that loan, be it a Term Loan A and/or a Term Loan B.

Term Loan A means a Term Loan (i) advanced concurrently with an issue of a Series of Covered Bonds, (ii) identified by reference to the relevant Series of Covered Bonds so issued or to be issued and (iii) for an amount equal to the principal amount of the relevant Series of Covered Bonds so issued or to be issued.

Term Loan B means a Term Loan (i) advanced for the purpose of funding the purchase of Eligible Assets and/or Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Tests) and/or Liquid Assets pursuant to the terms of the Cover Pool Management Agreement; and/or (ii) advanced concurrently with the advance of a Term Loan A, for an amount equal to the difference between the Term Loan A and the aggregate amount advanced on such Drawdown Date; and/or (iii) being any principal amount still outstanding of a Term Loan A on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date.

Terms and Conditions means these terms and conditions of the Covered Bonds.

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

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

Test Remedy Period means the period starting from the date on which a Breach of Tests Notice is delivered and ending on the date falling one calendar month thereafter.

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

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

Transaction Documents means the Master Receivables Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Administrative Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Prospectus, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement and any other agreement entered into in connection with the Programme.

Valuation Date means in respect of each Portfolio sold by the Seller and/or any Additional Seller sold to the Guarantor from time to time, the date on which the economic effects of the transfer of the relevant Portfolio will commence.

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

Warranty and Indemnity Agreement means each warranty and indemnity agreement entered into between a Seller and the Guarantor, as amended, supplemented or restated from time to time.

Zero Coupon Covered Bond means a Covered Bond specified as such in the relevant Final Terms.

Zero Coupon Provisions means Condition 7 (*Zero Coupon Provisions*).

(b) *Interpretation*:

In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under

Condition 10 (*Taxation*), any premium payable in respect of a Series of 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 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 1.1 (a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms give no such meaning or specify that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

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

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

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

3. Denomination, Form and Title

The Covered Bonds are in the Specified Denomination or Specified Denominations which may include a minimum denomination of €100,000 (or, where the Specified Currency is a currency other than euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, all as specified in the relevant Final Terms and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency). The Covered Bonds will be issued in dematerialised form and will be held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli Account Holders and title thereto will be evidenced by book entries in accordance with the provisions of the Financial Laws Consolidation Act and the Joint Regulation, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical document of title will be issued in respect of the Covered Bonds. The rights and powers of the Bondholders may only be exercised in accordance with these Conditions and the Rules.

4. Status and Guarantee

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

(b) *Status of the Guarantee*: The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when Due for Payment will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. As of the date of compulsory liquidation (*liquidazione coatta amministrativa*) or, to the greatest extent permissible by law and without prejudice to Condition 11.2(iv), resolution (*risoluzione*) of the Issuer or following the delivery of an Issuer Default Notice to the Issuer and the Guarantor, the Guarantor shall fulfil, within the limits of the Cover Pool, the Issuer's obligations towards the Bondholders upon the terms and conditions originally agreed. The Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 7-*quaterdecies*, paragraph 3, of the Securitisation and Covered Bonds Law, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds. Pursuant to article 7-*quaterdecies*, paragraph 4, of the Securitisation and Covered Bonds Law, if the Issuer is subject to a compulsory winding-up (*liquidazione coatta amministrativa*) and the Bondholders are not satisfied in full upon enforcement of the Guarantee, the Bondholders will have a claim against the Issuer for the residual amount ranking *pari passu* with all the other unsecured creditors of the Issuer.

(c) *Segregation of the Portfolio*: by virtue of the Securitisation and Covered Bonds Law, (i) the Guarantor's right, title and interest in and to the Portfolio, any amount collected from the Portfolio, any monetary claims accrued by the Guarantor in the context of the Programme and arising under the Transaction Documents, as well as any financial asset (including those constituting Eligible Investments) resulting from the investment of the cash referred to above from time to time owned by the Guarantor is segregated from any other assets of the Guarantor, and (ii) any amount deriving from the Portfolio and the other assets referred to above will only be available both before and after a winding-up of the Guarantor to satisfy the obligations of the Guarantor to the Bondholders, to the Other Guarantor Creditors as set out in the Intercreditor Agreement and to any third-party creditors of the Guarantor in respect of costs, fees and expenses incurred by the Guarantor in relation to the Programme.

5. Fixed Rate Provisions

(a) *Application:* This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*) up to (and including) the relevant Maturity Date

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

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination. Payments of interest on any Guarantor Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

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

6. **Floating Rate Provisions and Benchmark Replacement**

(a) *Application:* This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Dates, subject as provided in Condition 11 (*Payments*) up to (and including) the relevant Maturity Date or Extended Maturity Date, as the case may be. Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Rate of Interest*: The Rate of Interest from time to time payable in respect of each Covered Bonds with Floating Rate Provisions will be determined in the manner specified in the applicable Final Terms.

(d) *Screen Rate Determination for Floating Rate Covered Bonds (other than Covered Bonds linked to SONIA):* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Principal Paying Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Principal Paying Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Principal Paying Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Principal Paying Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

provided however, that if the Principal Paying Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period; **except that**, (i) if the Issuer or Principal Paying Agent determines that the absence of quotation is due to the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Reference Rate will be determined in accordance with Condition 6(e) below.

(e) *Screen Rate Determination for Floating Rate Covered Bonds which are linked to SONIA:* 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 and "SONIA" is specified as the Reference Rate in the relevant Final Terms, the Rate of Interest applicable to the Covered Bonds for each Interest Period shall be Compounded Daily SONIA plus or minus the Margin (if any) as specified in the applicable Final Terms, subject to Condition 6(f).

If in respect of any Business Day in the relevant Observation Period, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as

specified in the applicable Final Terms) determines that the applicable SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, the SONIA Reference Rate in respect of such Business Day shall be: (A) (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on such Business Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or (B) if such Bank Rate is not available, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

Where the SONIA Reference Rate is being determined in accordance with the paragraph above, in the event the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined; or (ii) any rate that is to replace the SONIA Reference Rate, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA Reference Rate for any Business Day "i" for the purpose of the relevant Series of Covered Bonds for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), subject to Condition 6(f), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to that last preceding Interest Period); or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (including applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Series of Covered Bonds become due and payable in accordance with Condition 11 (*Events of Default and Enforcement*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Covered Bonds became due and payable and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bonds remain outstanding, be that determined on such date.

For the purposes of this Condition 6(e):

Compounded Daily SONIA means, with respect to an Interest Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the third decimal place, with 0.0005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SONIA_{i-pLBD}\ x\ n_i}{365}\right)-1\right]\ x\ \frac{365}{d}$$

Where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**d_0**" is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

"**LBD**" means a Business Day;

"**ni**", for any Business Day "i", means the number of calendar days from and including such Business Day "i" up to but excluding the following Business Day;

"**p**" means for any Interest Period, 5 (five) Business Days or such other number of Business Days as specified in the applicable Final Terms provided that such number shall not be less than 5 (five) Business Days unless otherwise agreed between the Issuer and the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms); and

"**SONIAi-pLBD**" means in respect of any Business Day falling in the relevant Interest Period, the SONIA Reference Rate for the Business Day falling "p" Business Days prior to that Business Day "i".

"**Observation Period**" means the period from and including the date falling five Business Days prior to the first day of the relevant Interest Period and ending on, but excluding, the date falling five Business Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling five Business Days prior to any other date on which a payment of interest is to be made in respect of the Covered Bonds).

"**SONIA Reference Rate**" means in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the screen or, if the screen is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day).

(f) *Benchmark discontinuation*: (1) If the Issuer determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which

appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the **Reference Rate Determination Agent**), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate or the SONIA Reference Rate, as the case may be, on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate or the SONIA Reference Rate, as the case may be, is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate or the SONIA Reference Rate, as the case may be. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the **Replacement Reference Rate**), for purposes of determining the Reference Rate or the SONIA Reference Rate, as the case may be, on each Interest Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate or the SONIA Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Reference Rate or the SONIA Reference Rate, as the case may be, in the Conditions and the Final Terms applicable to the relevant Covered Bonds will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in Condition 6(g) (ISDA Determination) below; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Bondholders, the Principal Paying Agent specifying the Replacement Reference Rate, as well as the details described in Condition 6(g) (ISDA Determination) below.

The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, Principal Paying Agent, and the Bondholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or the SONIA Reference Rate, as the case may be, or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in this Condition 6(e), which will then (in the absence of manifest error) be final and binding on the Issuer, the Principal Paying Agent and the Bondholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will remain unchanged.

In relation to any benchmark amendments, any adjustment spread and any other changes to the interest determination provisions, the Principal Paying Agent would need to be

notified at least 10 (ten) Business Days prior to the first applicable Interest Determination Date.

The Principal Paying Agent is not obliged to concur with the Issuer in respect of any conforming changes or amendments required as a result of a benchmark replacement, to which, in the sole opinion of the Principal Paying Agent, would impose more onerous obligations upon them or expose them to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Principal Paying Agent in the Cash Allocation, Management and Payment Agreement.

If the Reference Rate Determination Agent determines that the Relevant Screen Page on which appears the Reference Rate or the SONIA Reference Rate, as the case may be, has been discontinued or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted but for any reason a Replacement Reference Rate has not been determined later than the Interest Determination Cut-off Date, no Replacement Reference Rate will be adopted, and the Relevant Screen Page on which appears the Reference Rate or the SONIA Reference Rate, as the case may be, for the relevant Interest Period will be equal to the last Reference Rate or SONIA Reference Rate, as the case may be, available on the Relevant Screen Page as determined by the Principal Paying Agent.

The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Covered Bonds) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), or (iii) any other entity which the Issuer considers has the necessary competences to carry out such role.

(g) *ISDA Determination:* Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that interest rate swap transaction under the terms of an agreement incorporating (i) the 2006 ISDA Definitions, (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Series) or (ii) if ISDA 2021 Definitions are specified as being applicable in the relevant Final Terms, the latest version of ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), each as published by ISDA (or any successor) on its website (http://www.isda.org) on the Issue Date of the first Tranche of the Covered Bonds of the relevant Series (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 the day specified in the relevant Final Terms.

(h) *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.

(i) *Calculation of Interest Amount:* The Principal Paying Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(j) *Publication:* The Principal Paying Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Guarantor and the Paying Agent(s) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Bondholders. The Principal Paying Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(k) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Principal Paying Agent will (in the absence of manifest error, wilful misconduct or gross negligence) be binding on the Issuer, the Guarantor, the Paying Agent(s), the Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. Zero Coupon Provisions

(a) *Application:* This Condition 7 is applicable to the Covered Bonds only if the Zero Coupon Provisions are specified in the relevant Final Terms as being applicable.

(b) *Late payment on Zero Coupon Covered Bonds:* If the Redemption Amount payable in respect of any Zero Coupon Covered Bond is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

8. **Redemption and Purchase**

(a) *Scheduled redemption*: To the extent outstanding, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 8 (b) (*Extension of maturity*) and Condition 9 (*Payments*).

(b) *Extension of maturity*: Without prejudice to Condition 11 (*Segregation Event and Events of Default*), if an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and, in accordance with article 7-*terdecies*, paragraph 1(a), of the Securitisation and Covered Bonds Law, the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms, and the Guarantor (or the Calculation Agent on its behalf) determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds, and any amount (including any amount due to any Swap Provider(s)) ranking *pari passu* or in priority thereto, on the date falling on the Extension Determination Date (the **Maturity Extension Trigger**), then (subject as provided below), payment of the unpaid amount by the Guarantor under the Guarantee shall be deferred until the Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid after the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

Notwithstanding the above, if the maturity of the Covered Bonds is extended as a consequence of the occurrence of an Article 74 Event, upon termination of the suspension period and service of the Article 74 Event Cure Notice, the Issuer shall resume responsibility for meeting the payment obligations under any Series of Covered Bonds in respect of which an extension of maturity has occurred, and any Final Redemption Amount shall be due for payment on the last Business Day of the month on which the Article 74 Event Cure Notice has been served.

It is understood that any extension of the maturity of the Covered Bonds as a result of the occurrence of the Maturity Extension Trigger will not affect any order of priority applicable in case of compulsory winding-up (*liquidazione coatta amministrativa*) or liquidation of the Issuer nor any Priority of Payments.

In accordance with the provisions of article 7-*terdecies*, paragraph 5, of the Securitisation and Covered Bonds Law and the Bank of Italy Regulations, the Issuer shall notify the Bank of Italy in case an Extended Maturity Date has become applicable in respect of a Series of Covered Bonds further to the occurrence of the Maturity Extension Trigger, within 10 (ten) calendar days from the occurrence thereof.

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

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 17 (*Notices*)), any relevant Swap Provider(s), the Rating Agency, the Representative of the Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least one Business Day prior to the Maturity Date as specified in the preceding paragraph of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the Covered Bonds pursuant to the Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on the Extension Determination Date, pursuant to the Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) towards partial payment of the Final Redemption Amount in respect of the relevant Covered Bonds and shall pay the Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above.

Interest will continue to accrue on any unpaid amount during such extended period, at the Rate of Interest specified in the relevant Final Terms, and be payable on the Maturity Date and on each Interest Payment Date up to and on the Extended Maturity Date.

Where an Extended Maturity Date is specified in the relevant Final Terms as applying to a Series of Covered Bonds, a failure to pay by the Guarantor on the Maturity Date shall not constitute a Guarantor Event of Default.

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

(i) at any time (if the Floating Rate Provisions are not specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

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

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation)* as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Covered Bonds; and

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

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

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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 8 (c) (*Redemption for tax reasons*), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 8 (c) (*Redemption for tax reasons*).

(d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) *Partial redemption:* If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 8 (d) (*Redemption at the option of the Issuer*), the Covered Bonds to be redeemed in part shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation.

The notice to Bondholders referred to in Condition 8 (d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Redemption at the option of Bondholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 8 (f) (*Redemption at the option of Bondholders*), the Bondholder must, not less than 30 nor more than 45 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice in the form obtainable from the Principal Paying Agent. The Principal Paying Agent with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the deposit in Bondholder. Once deposited in accordance with this Condition 8 (f) (*Redemption at the option of Bondholders*), no duly completed Put Option Notice may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any Covered Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Bondholder at such address as may have been given by such Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 8 (f) (*Redemption at the option of Bondholders*), the Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(g) *Redemption of Amortising Covered Bonds*: if the relevant Final Terms provide for Amortising Covered Bonds, the Redemption Amount payable on each Interest Payment Date on such Amortising Covered Bonds will be specified in the relevant Final Terms.

(h) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in Conditions 8 (a) (*Scheduled redemption*) to (g) (*Redemption of Amortising Covered Bonds*) above and as specified in the Final Terms.

(i) *Early redemption of Zero Coupon Covered Bonds:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Covered Bonds at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Covered Bonds become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8 (h) or, if none is so specified, a Day Count Fraction of 30E/360.

(j) *Purchase:* The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price. The Guarantor shall not purchase any Covered Bonds at any time.

(k) *Cancellation:* All Covered Bonds redeemed by the Issuer or any such Subsidiary in accordance with this Condition 8 (*Redemption and Purchase*) shall be cancelled and may not be reissued or resold.

9. **Payments**

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

(b) *Payments subject to fiscal laws:* All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to Bondholders in respect of such payments.

(c) *Payments on Business Days:* If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(d) *Payments subject to FATCA:* Notwithstanding anything to the contrary in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of that Code, any regulations or agreements thereunder, official interpretations thereof, or any law or agreement implementing an intergovernmental approach thereto. None of the Issuer, any Paying Agent or any other person shall be required to pay additional amounts with respect to any withholding or deduction.

10. **Taxation**

(a) *Gross up by Issuer:* All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future Taxes, duties,

assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in relation to any payment or deduction of any interest, premium or other proceeds of any Covered Bond on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree No. 239 with respect to any Covered Bonds and in all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Decree No. 239, or related implementing regulations, have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) presented for payment by a Bondholder who is a non Italian resident individual or legal entity which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities according to Article 6 of Decree No. 239; or

(iii) held by or on behalf of a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bonds.

(b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

11. Segregation Event and Events of Default

11.1 *Segregation Event*

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

Upon the occurrence of a Segregation Event the Representative of the Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor stating that a Segregation Event has occurred.

In such case:

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

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

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

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

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor will sell the Eligible Assets, the Substitution Assets and/or Liquid Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the relevant Seller in respect of such Eligible Assets, the Substitution Assets and/or Liquid Assets pursuant to the relevant Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

11.2 *Issuer Events of Default*

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

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

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

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

(iv) an Insolvency Event (other than an early intervention measure (*misura di intervento precoce*) pursuant to Title IV, Chapter I, of the Consolidated Banking Act or a resolution (*risoluzione*) pursuant to Legislative Decree no. 180 of 16 November 2015) occurs in respect of the Issuer;

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

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

Upon the service of an Issuer Default Notice:

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

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

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

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

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

provided that, in case of the Issuer Event of Default referred to under Condition 11.2 (v) above, the effects listed in items from (a) to (e) above will only apply for as long as the suspension of payments will be in force and effect and accordingly (i) the Guarantor, in accordance with the Securitisation and Covered Bonds Law, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the suspension period and (ii) at the end of the suspension period the Issuer shall be responsible for meeting the payment obligations under the Covered Bonds (and for the avoidance of doubts, the Covered Bonds then outstanding will not be deemed to be accelerated against the Issuer).

11.3 *Guarantor Events of Default*

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

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

(b) following the occurrence of an Issuer Event of Default there is a breach of the the Amortisation Test on any Calculation Date;

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

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

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

Upon the delivery of a Guarantor Default Notice, unless a Programme Resolution is passed resolving otherwise:

(a) all Series of Covered Bonds then outstanding will become immediately due and payable at their Early Termination Amount together with any accrued interest by the Guarantor and will rank *pari passu* among themselves in accordance with the Post-enforcement Priority of Payments;

(b) if a Guarantor Event of Default ever occurs with respect to a Series only, each other Series of Covered Bonds will cross accelerate at the same time against the Guarantor, becoming due and payable, and they will rank *pari passu* amongst themselves;

(c) the Guarantor shall immediately sell all assets included in the Cover Pool in accordance with the procedures set out in the Cover Pool Management Agreement;

(d) the Representative of the Bondholders, subject to and in accordance with the terms of the Guarantee, on behalf of the Bondholders, shall have a claim against the Guarantor for an amount equal to the Principal Amount Outstanding on each Covered Bond, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 10 (a) (*Gross up by the Issuer*)) in accordance with the Post-enforcement Priority of Payments to the Other Guarantor Creditors; and

(e) the Representative of the Bondholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a Programme Resolution of the Bondholders and then only if it is indemnified and/or secured to its satisfaction.

11.4 *Determinations, etc*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11 by the Representative of the Bondholders shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor and all Bondholders and (in such absence as aforesaid) no liability to the Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

12. Limited recourse and non petition

12.1 *Limited recourse*

The obligations of the Guarantor under the Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the Securitisation and Covered Bonds Law and the Bank of Italy Regulations. The recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Bondholders.

12.2 *Non petition*

Only the Representative of the Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Obligations or enforce the Guarantee and/or the Security and no Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Obligations or to enforce the Guarantee and/or the Security. In particular:

(a) no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders, where appropriate) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Bondholders to enforce the Guarantee and/or Security or take any proceedings against the Guarantor to enforce the Guarantee and/or the Security;

(b) no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;

(c) until the date falling two years and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Bondholder (nor any person on its behalf, other than the Representative of the Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(d) no Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priority of Payments not being complied with.

13. **Prescription**

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

14. **Representative of the Bondholders**

(a) *Organisation of the Bondholders*: The Organisation of the Bondholders shall be established upon, and by virtue of, the issue of the first Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of all the Covered Bonds of whatever Series. Pursuant to the Rules, for as long as any Covered Bonds of any Series are outstanding, there shall at all times be a Representative of the Bondholders. The appointment of the Representative of the Bondholders as legal representative of the Organisation of the Bondholders is made by the Bondholders subject to and in accordance with the Rules.

(b) *Initial appointment*: In the Programme Agreement, the Dealers have appointed the Representative of the Bondholders to perform the activities described in the Mandate Agreement, in the Programme Agreement, in these Conditions (including the Rules), and in the other Transaction Documents and the Representative of the Bondholders has accepted such appointment for the period commencing on the Issue Date and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds of whatever Series have been cancelled or redeemed in accordance with their respective terms and conditions.

(c) *Acknowledgment by Bondholders*: Each Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by the Transaction Documents; and

(ii) acknowledges and accepts that the Dealers shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Bondholders as a result of the performance by the Representative of the Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

15. **Agents**

In acting under the Cash Allocation, Management and Payment Agreement and in connection with the Covered Bonds, the Paying Agents act solely as agents of the Issuer and, following service of an Issuer Default Notice or a Guarantor Default Notice, as agents of the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Principal Paying Agent and its initial Specified Office is set out in these Conditions. Any additional Paying Agents and their Specified Offices are specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents; *provided, however, that:*

(a) the Issuer and the Guarantor shall at all times maintain a principal paying agent; and

(b) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Bondholders.

16. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

17. Notices

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

(b) *Notices in Luxembourg*: As long as the Covered Bonds are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, any notice to Bondholders shall also be published on the website of the Luxembourg Stock Exchange (https://www.luxse.com).

(c) *Other publication*: The Representative of the Bondholders shall be at liberty to sanction any other method of giving notice to Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to listing, trading and/or quotation and provided that notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Bondholders shall require.

18. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such

calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

19. **Governing Law and Jurisdiction**

(a) *Governing law*: These Conditions, the Covered Bonds and any non-contractual obligations arising out of or in connection with them, are governed by Italian law. All other Transaction Documents are governed by Italian law, save for the Swap Agreements and the Deed of Charge, which are governed by English law.

(b) *Jurisdiction*: The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds, the Conditions and the Rules or their validity, interpretation or performance and any non-contractual obligations arising out of or in connection with them.

(c) *Relevant legislation*: Anything not expressly provided for in these Conditions will be governed by the provisions of the Securitisation and Covered Bonds Law, the Bank of Italy Regulations, article 129 of the CRR and, if applicable, article 58 of the Consolidated Banking Act.

RULES OF THE ORGANISATION OF THE BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. GENERAL

1.1 The Organisation of the Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Banco BPM S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the Bondholders (**Rules**).

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds of each Series issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 Definitions

In these Rules, the terms below shall have the following meanings:

Block Voting Instruction means, in relation to a Meeting, a document issued by a Paying Agent:

(a) certifying that specified Covered Bonds are held to the order of a Paying Agent or under its control or have been blocked in an account with a clearing system and will not be released until a the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the surrender to the Paying Agent which issued the same not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption) of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by such Paying Agent to the Issuer and Representative of the Bondholders;

(b) certifying that the Holder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the relevant 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 aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those in respect of which instructions have been given to vote for, and against, each resolution; and

(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 a Paying Agent for the purpose of obtaining from that Paying Agent a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required;

Chairman means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*).

Event of Default means an Issuer Event of Default or a Guarantor Event of Default;

Extraordinary Resolution means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast;

Holder or **holder** means in respect of Covered Bonds, the ultimate owner of such Covered Bonds;

Meeting means a meeting of Bondholders (whether originally convened or resumed following an adjournment);

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 and includes any depository banks appointed by the Relevant Clearing System;

Moody's means Moody's Deutschland GmbH, or any of its successors;

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

Programme Resolution means an Extraordinary Resolution passed at a single meeting of the Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules (i) to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2 (*Issuer Event of Default*), Condition 11.3 (*Guarantor Event of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (iii) to take any other action stipulated in the Conditions or Transaction Documents as requiring a Programme Resolution;

Proxy means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(a) any person whose appointment has been revoked and in relation to whom the relevant Paying Agent, or in the case of a proxy appointed under a Voting Certificate, the Issuer has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; 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 means Moody's;

Resolutions means the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, collectively;

Swap Rate means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if there is not exchange rate specified or if the Swap Agreement has terminated, the applicable spot rate;

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 a 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 13 August 2018, as amended from time to time; or

(b) a certificate issued by a 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 such Paying Agent; and

(ii) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds.

Written Resolution means a resolution in writing signed by or on behalf of one or more persons being or representing at least 75 per cent of all the Bondholders who at any relevant time are entitled to participate in a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Bondholders;

24 hours means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices; and

48 hours means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions to which there Rules are attached.

2.2 **Interpretation**

In these Rules:

2.2.1 any reference herein to an **Article** shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Bondholders;

2.2.2 a **successor** of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 **Separate Series**

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Bondholders*) to 35 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

2.3.1 Articles 26 (*Appointment, removal and remuneration*) and 27 (*Resignation of the Representative of the Bondholders*); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (Duties and Powers of the Representative of the Bondholders) to 35 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and, in such Articles, the expressions "Covered Bonds" and "Bondholders" shall be construed accordingly.

3. **PURPOSE OF THE ORGANISATION**

3.1 Each Bondholder whatever Series of the Covered Bonds he holds is a member of the Organisation of the Bondholders.

3.2 The purpose of the Organisation of the Bondholders is to co-ordinate the exercise of the rights of the Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Bondholders.

TITLE II

MEETINGS OF THE BONDHOLDERS

4. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

4.1 A 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 13 August 2018, as amended from time to time.

4.2 A Bondholder may also obtain a Voting Certificate from a Paying Agent or require a Paying Agent to issue a Block Voting Instruction by arranging for 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 a clearing system (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

4.3 A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Covered Bonds to which it relates.

4.4 So long as a Voting Certificate or Block Voting Instruction is valid, the person named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by a Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by a Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

4.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.

4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Bondholders so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holders or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder shall be produced at the Meeting but the Representative of the Bondholders shall not be obliged to investigate the validity of a Block Voting

Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction.

6. CONVENING A MEETING

6.1 *Convening a Meeting*

The Representative of the Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a requisition in writing signed by the holders of not less than five per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding convene a meeting of the Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting requisitioned by the Bondholders the same may be convened by the Representative of the Bondholders or the requisitionists. The Representative of the Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Representative of the Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

6.2 *Meetings convened by Issuer*

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 *Time and place of Meetings*

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Bondholders.

7. NOTICE

7.1 *Notice of Meeting*

At least 21, or 5 in case of a Meeting convened in order to resolve to extend the Test Remedy Period pursuant to Condition 11.2 (*Issuer Events of Default*), days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Bondholders and the Paying Agents, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Bondholders, or with a copy to the Representative of the Bondholders, where the Meeting is convened by the Issuer, subject to Article 6.3.

7.2 *Content of notice*

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time and

that for the purpose of obtaining Voting Certificates from a Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bonds must (to the satisfaction of such Paying Agent) be held to the order of or placed under the control of such Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

7.3 ***Validity notwithstanding lack of notice***

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Principal Amount Outstanding of the Covered Bonds, the Holders of which are entitled to attend and vote, are represented at such Meeting and the Issuer and the Representative of the Bondholders are present.

8. CHAIRMAN OF THE MEETING

8.1 ***Appointment of Chairman***

An individual (who may, but need not be, a Bondholder), nominated by the Representative of the Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Bondholders fails to make a nomination; or

8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 ***Duties of Chairman***

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 ***Assistance to Chairman***

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more vote-counters, who are not required to be Bondholders.

9. QUORUM

The quorum at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or, at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution, two or more persons holding or representing at least 50 per cent of the Principal Amount Outstanding of the Covered Bonds the holders of which are entitled to attend and vote or at an adjourned Meeting, two or more persons being or representing Bondholders entitled to attend and vote, whatever the Principal Amount Outstanding of the Covered Bonds so held or represented;

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 32.4 (*Obligation to exercise powers*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Guarantee or the Deed of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Bondholders not to be materially prejudicial to the interests of the Bondholders of any Series);

(e) except in accordance with Articles 31 (*Amendments and Modifications*) and 32 (*Waiver*), the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 9.1.3;

(each a **Series Reserved Matter**), the quorum shall be two or more persons being or representing holders of not less two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, two or more persons being or representing not less than one-third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding,

provided that, if in respect of any Covered Bonds the Paying Agent has received evidence that 90% Covered Bonds are held by a single Holder and the Voting Certificate or Block Voting Instruction so states then a single Voter appointed in relation thereto or being the Holder of the Covered Bonds thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

10. ADJOURNMENT FOR WANT OF QUORUM

If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1 if such Meeting was requested by Bondholders, the Meeting shall be dissolved; and

10.2 in any other case, the Meeting (unless the Issuer and the Representative of the Bondholders otherwise agree) shall, subject to paragraphs 10.2.1 and 10.2.2 below, be adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place as the Chairman determines with the approval of the Representative of the Bondholders *provided that*:

10.2.1 no Meeting may be adjourned more than once for want of a quorum; and

10.2.2 the Meeting shall be dissolved if the Issuer and the Representative of the Bondholders together so decide.

11. ADJOURNED MEETING

Except as provided in Article 10 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. NOTICE FOLLOWING ADJOURNMENT

12.1 Notice required

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 **Notice not required**

It shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. PARTICIPATION

The following categories of persons may attend and speak at a Meeting:

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor and the Representative of the Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Bondholders;

13.5 legal advisers to the Issuer, the Guarantor and the Representative of the Bondholders; and

13.6 any other person authorised by virtue of a resolution of such Meeting or by the Representative of the Bondholders.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 *Demand for a poll*

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Bondholders or one or more Voters whatever the Principal Amount Outstanding of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 *The Chairman and a poll*

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 *Voting*

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Vote who is so present shall have one vote in respect of each €1,000 or such other amount as the Representative of the Bondholders may in

its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Bondholders in its absolute discretion may stipulate) in the Principal Amount Outstanding of the Covered Bonds it holds or represents.

16.2 ***Block Voting Instruction***

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 ***Voting tie***

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 ***Validity***

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked provided that none of the Issuer, the Representative of the Bondholders or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 ***Adjournment***

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. RESOLUTIONS

18.1 ***Ordinary Resolutions***

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution;

18.1.2 to authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 ***Extraordinary Resolutions***

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Bondholders, the Bondholders or any of them;

18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Bondholders, the Issuer, the Guarantor, the Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of this these Rules or the Transaction Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Bondholders or of any Bondholder;

18.2.4 in accordance with Article 26 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Bondholders;

18.2.5 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Bondholders from any liability in relation to any act or omission for which the Representative of the Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

18.2.6 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, the Covered Bonds or any other Transaction Document or any act or omission which might otherwise constitute an Event of Default;

18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.8 authorise and ratify the actions of the Representative of the Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;

18.2.9 to appoint any persons (whether Bondholders or not) as a committee to represent the interests of the Bondholders and to confer on any such committee any powers which the Bondholders could themselves exercise by Extraordinary Resolution; and

18.2.10 authorise the Representative of the Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 ***Programme Resolutions***

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Bondholders to take any action pursuant to Condition 11.2 (i), Condition 11.2 (b), Condition 11.3 (*Guarantor Events of Default*) or to appoint or remove the Representative of the Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to take any other action required by the Conditions or any Transaction Document to be taken by Programme Resolution.

18.4 ***Other Series of Covered Bonds***

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. EFFECT OF RESOLUTIONS

19.1 ***Binding nature***

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Bondholders duly convened and held in accordance with these Rules shall be binding upon all Bondholders, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 ***Notice of voting results***

Notice of the results of every vote on a resolution duly considered by Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Paying Agents (with a copy to the Issuer, the Guarantor and the Representative of the Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Bondholder has accepted and is bound by the provisions of Condition 12 (*Limited Recourse and Non Petition*) and clause 12 (*Limited Recourse*) of the Guarantee, accordingly, if any Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Guarantee (hereinafter, a **Claiming Bondholder**), then such Claiming Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Bondholders of his/her intention. The Representative of the Bondholders shall inform the other Bondholders of such prospective individual actions and remedies and invite them to raise, in writing, any objection that they may have by a specific date not more than 30 days after the date of the Representative of the Bondholders notification and not less than 15 days after such notification. If Bondholders representing 5% or more of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Bondholder will be prevented from taking any individual action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted to the Representative of the Bondholders pursuant to the terms of this Article).

24. MEETINGS AND SEPARATE SERIES

24.1 *Choice of Meeting*

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

24.1.2 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

24.1.3 a resolution which in the opinion of the Representative of the Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Bondholders of all Series; and

24.1.5 to all such meetings all the preceding provisions of these Rules shall mutatis mutandis apply as though references therein to Covered Bonds and Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 ***Denominations other than euro***

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in euro in the case of any meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of a meeting or any adjourned such meeting or any poll resulting therefrom or any such request or Written Resolution) the Principal Amount Outstanding of such Covered Bonds shall be the equivalent in euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each €1.00 (or such other euro amount as the Representative of the Bondholders may in its absolute discretion stipulate) of the Principal Amount Outstanding of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Bondholders in its sole discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 ***Appointment***

The appointment of the Representative of the Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Bondholders which will be The Bank of New York Mellon Corporate Trustee Services Limited.

26.2 ***Identity of Representative of the Bondholders***

The Representative of the Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to article 106 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in article 2399 of the Italian Civil Code cannot be appointed as Representative of the Bondholders and, if appointed as such, they shall be automatically removed.

26.3 ***Duration of appointment***

Unless the Representative of the Bondholders is removed by Programme Resolution of the Bondholders pursuant to Article 18.3 (*Programme Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 ***After termination***

In the event of a termination of the appointment of the Representative of the Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Bondholders whose appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 ***Remuneration***

The Issuer, failing which the Guarantor, shall pay to the Representative of the Bondholders an annual fee for its services as Representative of the Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions.

27. RESIGNATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

The Representative of the Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Bondholders shall not become effective until a new Representative of the Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Bondholders has accepted its appointment. provided that if Bondholders fail to select a new Representative of the Bondholders within three months of written notice of resignation delivered by the Representative of the Bondholders, the Representative of the Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE BONDHOLDERS

28.1 *Representative of the Bondholders as legal representative*

The Representative of the Bondholders is the legal representative of the Organisation of the Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Bondholders.

28.2 *Meetings and resolutions*

Unless any Resolution provides to the contrary, the Representative of the Bondholders is responsible for implementing all resolutions of the Bondholders. The Representative of the Bondholders has the right to convene and attend Meetings (together with its adviser) to propose any course of action which it considers from time to time necessary or desirable.

28.3 *Delegation*

The Representative of the Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Bondholders may think fit in the interest of the Bondholders. The Representative of the Bondholders shall not, other than in the normal course of its business, be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 *Judicial proceedings*

The Representative of the Bondholders is authorised to represent the Organisation of the Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 *Consents given by Representative of Bondholders*

Any consent or approval given by the Representative of the Bondholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

28.6 ***Discretions***

Save as expressly otherwise provided herein, the Representative of the Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Bondholders by these Rules or by operation of law.

28.7 ***Obtaining instructions***

In connection with matters in respect of which the Representative of the Bondholders is entitled to exercise its discretion hereunder, the Representative of the Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Bondholders shall be entitled to request that the Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 ***Remedy***

The Representative of the Bondholders may determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be remedied, and if the Representative of the Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Bondholders, the other creditors of the Guarantor and any other party to the Transaction Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE BONDHOLDERS

29.1 ***Limited obligations***

The Representative of the Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

29.2 ***Specific limitations***

Without limiting the generality of the Article 29.1, the Representative of the Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Bondholders has actual knowledge or

express notice to the contrary, it shall be entitled to assume that no Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;

29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or right created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;

(ii) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;

(iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;

(iv) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Servicer and the Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than

the Representative of the Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Mortgage Loans contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Transaction Document;

29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;

29.2.15 shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Bondholders, have regard to the overall interests of the Bondholders of each Series as a class of persons and shall not be obliged to have regard to any interests arising from circumstances particular to individual Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Bondholders by Extraordinary Resolution or by a written resolution of such Bondholders of not less than 75 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series then outstanding;

29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interest of the Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all costs, charges, damages, expenses and liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and

29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Bondholder, any Other Guarantor Creditor or any other person as a result of (a) the delivery by the Representative of the Bondholders of the certificate of incapability of remedy relating any material default of obligations pursuant to Condition 11.2 (*Issuer Events of Default*) and Condition 11.3 (*Guarantor Events of Default*) on the basis of an opinion formed by it in good faith; or (b) any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Bondholders as a whole or the interests of the Bondholders of any Series.

29.3 ***Covered Bonds held by Issuer***

The Representative of the Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer.

29.4 ***Illegality***

No provision of these Rules shall require the Representative of the Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Bondholders may refrain from taking any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or liability which it may incur as a consequence of such action. The Representative of the Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. RELIANCE ON INFORMATION

30.1 *Advice*

The Representative of the Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic.

30.2 *Certificates of Issuer and/or Guarantor*

The Representative of the Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter prima facie within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 *Resolution or direction of Bondholders*

The Representative of the Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Bondholders.

30.4 *Certificates of Monte Titoli Account Holders*

The Representative of the Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 ***Clearing Systems***

The Representative of the Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 ***Rating Agency***

The Representative of the Bondholders in evaluating, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the Bondholders of any Series or of all Series for the time being outstanding, may consider, *inter alia*, the circumstance that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise. If the Representative of the Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agency as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Bondholders or the Representative of the Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 ***Certificates of Parties to Transaction Document***

The Representative of the Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Transaction Document,

30.7.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

30.7.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.7.3 as to such party's opinion with respect to any issue

and the Representative of the Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any loss, liability, cost, damage, expense, or charge incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 ***Auditors***

The Representative of the Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 *Modifications*

The Representative of the Bondholders may at any time and from time to time and without the consent or sanction of the Bondholders of any Series concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Bondholders, it may be expedient to make provided that the Representative of the Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Bondholders of any Series; and

31.1.2 to these Rules, the Conditions and/or the other Transaction Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and

31.1.3 to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Bondholders, is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Bondholders.

31.2 *Binding Nature*

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding upon the Bondholders and, unless the Representative of the Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

31.3 *Establishing an error*

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

31.3.1 a certificate from the Joint Arrangers:

(i) stating the intention of the parties to the relevant Transaction Document;

(ii) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and

(iii) stating the modification to the relevant Transaction Document that is required to reflect such intention; and

31.3.2 may consider, *inter alia*, the circumstance that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.4 ***Obligation to act***

The Representative of the Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any modifications to these Rules, the Conditions and/or the other Transaction Documents if it is so directed by an Extraordinary Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. WAIVER

32.1 ***Waiver of Breach***

The Representative of the Bondholders may at any time and from time to time without the consent or sanction of the Bondholders of any Series and, without prejudice to its rights in respect of any subsequent breach, condition or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Guarantee, these Rules, the Conditions or the other Transaction Documents; or

32.1.2 determine that any Event of Default shall not be treated as such for the purposes of the Transaction Documents,

without any consent or sanction of the Bondholders.

32.2 ***Binding Nature***

Any such authorisation or waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the Bondholders so requires, shall be notified to the Bondholders and the Other Guarantor Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Transaction Documents.

32.3 ***Restriction on powers***

The Representative of the Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 ***Obligation to act***

The Representative of the Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions contained in by Guarantee, these Rules or any of the other Transaction Documents or determine that any Event of Default shall not be treated as such if it is so directed by a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

33. INDEMNITY

Pursuant to the Programme Agreement, the Guarantor has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands properly incurred by or made against the Representative of the Bondholders or any entity to which the Representative of the Bondholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authorities and discretions and the performance of its duties under and otherwise in relation to these Rules and the Transaction Documents (including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents) except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Bondholders.

34. LIABILITY

Notwithstanding any other provision of these Rules, the Representative of the Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. SECURITY DOCUMENTS

35.1 ***The Deed of Pledge***

The Representative of the Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Bondholders pursuant to the Deed of Pledge. The beneficiaries of the Deed of Pledge are referred to in this Article 35 as the **Secured Bondholders**.

35.2 ***Rights of the Representative of the Bondholders***

35.2.1 The Representative of the Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in

the Secured Bondholders' interest and on their behalf, any amounts deriving from the pledged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the pledged claims to make the payments related to such claims to the Transaction Account or to any other account opened in the name of the Guarantor and appropriate for such purpose;

35.2.2 The Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged claims or credited to the Transaction Account or to any other account opened in the name of the Guarantor and appropriate of such purpose which is not in accordance with the provisions of this Article 35. The Representative of the Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Deed of Pledge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV

THE ORGANISATION OF THE BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to service of a Guarantor Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, shall be entitled (also in the interests of the Other Guarantor Creditors) pursuant to articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Bondholders, in its capacity as legal representative of the Organisation of the Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

TITLE V

GOVERNING LAW AND JURISDICTION

37. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendments, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

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

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS –** *The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (**EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*]

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

[**UK MIFIR product governance / Professional investors and ECPs only target market –** *Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (**UK MiFIR**); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Covered Bonds (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the [Covered Bonds] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.*]

Final Terms dated [●]

BANCO BPM S.P.A. (the **Issuer**)

Legal Entity Identified (LEI): 815600E4E6DCD2D25E30

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Covered Bonds*] **Covered Bonds due** [*Maturity*]

Guaranteed by

BPM Covered Bond S.r.l. (the **Guarantor**)

Legal Entity Identified (LEI): 81560053F1023BE1D690

under the €10,000,000,000 Covered Bond Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Conditions**) set forth in the prospectus dated 13 June 2024 [and the supplement[s] to the prospectus dated [●] 2024 which [together] constitute[s] a base prospectus (the **Prospectus**) for the purposes of the Regulation (EU) 2017/1129 (as amended from time to time, the **Prospectus Regulation**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 8 of the Prospectus Regulation. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with such Prospectus [as so completed]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Prospectus [as so completed]. The Prospectus is available for viewing [at [*website*]] [and] during normal business hours at [*address*] [and copies may be obtained from [*address*]]. [These Final Terms will be published on the website of the Luxembourg Stock Exchange at https://www.luxse.com]]

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2023 Prospectus.*

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 21 September 2023 which is incorporated by reference in the prospectus dated 13 June 2024 [and the supplement to the prospectus dated [●] 2024] which [together] constitute a base prospectus for the purposes of the Prospectus Regulation (the **Prospectus**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 8 of Regulation (EU) 2017/1129, as amended and superseded (the **Prospectus Regulation**) and must be read in conjunction with the Prospectus which together constitute a base prospectus for the purposes of the Prospectus Regulation. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of such Prospectus are available for viewing at, and copies of it may be obtained from, the registered office of the Issuer, Piazza Filippo Meda, 4, 20121 Milan and from BNP Paribas, Luxembourg Branch, 60 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg and will be published on the website of the Luxembourg Stock Exchange at https://www.luxse.com].

(*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*)

(*When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.*)

1.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] (*If fungible with an existing Series, name of that Series, including the date on which the Covered Bonds become fungible*)
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount		
	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Aggregate Nominal Amount	[●]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
5.	(i)	Specified Denominations:	[●] [plus integral multiples of [●] in addition to the said sum of [●]] (*Include the wording in square brackets where the Specified*

			Denomination is €100,000 or equivalent plus multiples of a lower principal amount.)
	(ii)	Calculation Amount:	[●]
	(iii)	Rounding	[*The provisions of Condition 18 apply/Not Applicable*]
	(iv)	Issue Date	[●]
	(v)	Interest Commencement Date	[*Specify*/Issue Date/Not Applicable]
6.	Maturity Date:		[*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*.]
7.	Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Guarantee:		[*Insert date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
8.	Interest Basis:		[[●] per cent. Fixed Rate] / [[*EURIBOR/other*] +/– [*Margin*] per cent. Floating Rate] [Floating Rate: SONIA Linked Interest] [Zero Coupon] (*further particulars specified below*)
9.	Redemption/Payment Basis:		[Redemption at par] [Instalment] [Amortising]
10.	Change of Interest Redemption/Payment Basis:		[Applicable/Not Applicable]
11.	Put/Call Options:		[Not Applicable] [Investor Put] [Issuer Call]
12.	[Date [Board] approval for issuance of Covered Bonds [and Guarantee] [respectively]] obtained:		[●] [and [●], respectively (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds or related Guarantee*)]

13.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Provisions**		[The provisions of Condition 5 apply/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/*Other*]
15.	**Floating Rate Provisions**		[The provisions of Condition 6 apply/Not Applicable](*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Period:	[●] *(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
	(iii)	Interest Payment Dates:	[●] *(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*

(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Additional Business Centre(s):	[Not Applicable/TARGET/London/Luxembourg/Milan]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[[*Name*] *shall be the Calculation Agent*]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[●] (*For example, EURIBOR or SONIA*)
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	*[For example,* [Reuters EURIBOR 01] *(in the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)]*
	• Relevant Time:	*[For example, 11.00 a.m. Luxembourg time/Brussels time]*
	• Relevant Financial Centre:	*[For example, Luxembourg/Euro-Zone (where Euro-Zone means the region comprised of the countries whose lawful currency is the euro)]*
	• Specify Reference Date	*[●]*
	• Specify Screen Page	*[●]*
	• P:	*[●] [Not Applicable]*

(Only applicable to SONIA linked Covered Bonds)

(x) ISDA Determination:

- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]

(*In the case of a EURIBOR based option, the first day of the Interest Period*)]

(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)]

16. **Zero Coupon Provisions** The provisions of Condition 7 apply/Not Applicable

(If not applicable, paragraph 17 will not be applicable)

(i) Amortisation/Accrual Yield: [[●] per cent. per annum] / [not applicable]

(ii) Reference Price: [●] / [not applicable]

PROVISIONS RELATING TO REDEMPTION

17.	**Call Option**	*[The provisions of Condition 8(d) apply/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of Covered Bonds:	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[[●] per Calculation Amount / not applicable]
	(b) Maximum Redemption Amount:	[[●] per Calculation Amount / not applicable]
	(iv) Notice period:	[●]
18.	**Put Option**	*[The provisions of Condition 8(f) apply/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Covered Bonds and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Notice period:	[●]
19.	**Final Redemption Amount of Covered Bonds**	[●] per Calculation Amount [*being always equal to at least 100 per cent. of the aggregate principal amount of the Covered Bonds*]
20.	**Early Redemption Amount** Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Guarantor Event of Default or	*[Not Applicable (If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Covered Bonds/insert the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Covered Bonds)]*

	other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*] *[Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 17(vi) and 18(iii) relate]*
22.	Details relating to Covered Bonds for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
23.	Redenomination provisions:	[Redenomination [not] applicable *(If Redenomination is applicable, specify the terms of the redenomination in an annex to the Final Terms)]*

DISTRIBUTION

24.	(i)	If syndicated, names and business addresses of Managers	[Not Applicable/*give names and business address*]
25.	(ii)	Name(s) and business addresse(s) of Stabilising Manager(s) (if any):	[Not Applicable/*give names and business address*]
26.		If non-syndicated, name and business address of Dealer:	[Not Applicable/*give names and business address*]
27.		U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]] / [TEFRA D] / [TEFRA C] / [TEFRA not Applicable]
28.		Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Covered Bonds may constitute*

"packaged" products and no key information document will be prepared, "Applicable" should be specified)

29.	Prohibition of Sales to UK Retail Investors:	[Applicable] / [Not Applicable] *(If the Covered Bonds clearly do not constitute "packaged" products, or the Covered Bonds do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products, "Applicable" should be specified).*

THIRD PARTY INFORMATION

[(*Relevant third party information*)] has been extracted from [(*specify source*)]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [(*specify source*)], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Banco BPM S.p.A.

By:_____
Duly authorised

Signed on behalf of BPM Covered Bond S.r.l.

By:_____
Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing	[Official list of the Luxembourg Stock Exchange/None]
(ii)	Admission to trading	Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange with effect from [●]] / [Not Applicable]. *(Where documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)*

2. RATINGS

Ratings:	The Covered Bonds to be issued [have been rated]/[are expected to be rated]: [Moody's: [●]] [[Other]: [●]] *(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)* *(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)* *[[Moody's] / [Others] are established in the EEA and are registered under Regulation (EU) No. 1060/2009, as amended (the **EU CRA Regulation**). [Moody's] / [Others] appears on the latest update of the list of registered credit rating agencies on the ESMA website [https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation.]* *[The rating [●] has given to the Covered Bonds is endorsed by [●], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom*

*by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**).]*

*[[●] has been certified under Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**).] / [[●] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**) and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]*

[Not applicable (*if not rated*)]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Not Applicable / *Need to include a description of any interest, including conflicting ones, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

"so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the issue."]

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)*

4. USE OF PROCEEDS, NET AMOUNT OF PROCEEDS AND TOTAL EXPENSES

(i) Use of proceeds:	The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of the Issuer.
(ii) Estimated net amount of proceeds:	[●]
(iii) Estimated expenses in relation to the admission to trading:	[●]

5. Fixed Rate Covered Bonds only – YIELD

Indication of yield:	[*Please note that this is applicable in respect of Fixed Rate Covered Bonds only*] [Not applicable / [●]]

6. **[Floating Rate Covered Bonds and SONIA linked Covered Bonds only - HISTORIC INTEREST RATES**

Details of historic [EURIBOR/SONIA/other] rates can be obtained from [Reuters][others].

[Benchmark[1]:	Amounts payable under the Covered Bonds will be calculated by reference to [●] which is provided by [●]. As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Regulation (EU) 2016/1011 (the **Benchmarks Regulation**). [As far as the Issuer is aware, [[●] does/do not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation] / [the transitional provisions in Article 51 of the Benchmarks Regulation apply], such that [●] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).] (*Note that the transitional provisions in Article 51 of the Benchmarks Regulation applies only in respect of benchmark administrators located outside the EU since 31 December 2021*)

7. **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
CFI:	[[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (**ANNA**) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.
FISN:	[[●]/Not Applicable] as published on the website of the Association of National Numbering Agencies (**ANNA**) or

[1] Insert only in case of Covered Bonds which reference to a Benchmark, whose administrator has not been disclosed in this Prospectus.

	alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
Any Relevant Clearing System(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Not Applicable/*give name(s), business address and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional Paying Agent(s) (if any):	[●] [Not Applicable]
Name of the Calculation Agent	[●]
Name of the Representative of the Bondholders	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No][Not Applicable][*Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.*]
Intended to be labelled as "European Covered Bond (Premium)":	[Yes] [No]

USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of Banco BPM.

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Prospectus in relation to the Group has been derived from, and should be read in conjunction with, and is qualified by reference to:

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2022 (the **2022 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A.;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2023 (the **2023 Annual Financial Statements**), which were audited by PricewaterhouseCoopers S.p.A.;

(c) the English translation of the press release issued on 8 February 2024 on the consolidated results of Banco BPM as at and for the year ended on 31 December 2023 (the **8 February 2024 Press Release**);

(d) the English translation of the press release issued on 7 May 2024 on the consolidated results of Banco BPM as at and for the three months ended on 31 March 2024 (the **7 May 2024 Press Release**),

that are incorporated by reference into this Prospectus.

So long as any of the Covered Bonds remain outstanding, copies of the above-mentioned consolidated financial statements and press releases will be made available during normal business hours at the office of the Principal Paying Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented in the following tables have been extracted from the Group report on operations included in the Issuer's consolidated 2023 annual report. Such information has not been audited.

Group financial highlights

(in millions of Euro)	31 December 2023	31 December 2022 Restated (*)
Reclassified income statement figures		
Financial margin	3,433.3	2,450.4
Net fee and commission income	1,860.0	1,887.3
Operating income	5,341.4	4,674.0
Operating expenses	(2,571.2)	(2,530.4)
Profit (loss) from operations	2,770.3	2,143.6
Profit (loss) before tax from continuing operations	2,041.0	1,288.9
Parent Company's net profit (loss) for the year	1,264.5	685.0

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(*) The figures relating to the year ended 31 December 2022 have been restated following the retrospective application of IFRS 17 by the Group's insurance companies, as well as IFRS 9 for associates.

(in millions of Euro)	31 December 2023	31 December 2022 Restated (*)
Balance sheet figures		
Total assets	202,132.0	189,808.1

(in millions of Euro)	31 December 2023	31 December 2022 Restated (*)
Loans to customers (net) (**)	105,426.7	109,455.0
Other financial assets and hedging derivatives	43,706.4	43,093.5
Group shareholders' equity	14,038.1	13,015.8
Customers' financial assets		
Direct bank funding	120,770.1	120,639.1
Direct funding without repurchase agreements with certificates	*124,754.0*	*123,449.5*
Indirect funding	110,772.7	95,029.1
Indirect funding without protected capital certificates	*106,166.1*	*91,327.8*
- Asset management	62,003.1	59,408.7
- Mutual funds and SICAVs	41,927.2	39,916.6
- Securities and fund management	4,369.3	3,969.4
- Insurance policies	15,706.6	15,522.7
- Administered assets	48,769.6	35,620.4
- Administered assets without protected capital certificates	*44,163.0*	*31,919.1*
Information on the organisation		
Average number of employees and other staff (***)	19,011	19,278
Number of bank branches	1,436	1,504

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(*) *The figures relating to the year ended 31 December 2022 have been restated following the retrospective application of IFRS 17 by the Group's insurance companies, as well as IFRS 9 for associates.*

(**) *Includes senior securities from sales of non-performing loans.*

(***) *Arithmetic average calculated on a monthly basis in terms of full-time equivalent resources. Does not include the Directors and Statutory Auditors of Group Companies.*

Financial and economic ratios and other Group figures

	31 December 2023	31 December 2022 Restated (*)
Alternative performance measures		
Profitability ratios (expressed in percentages)		
Return on equity (ROE)	11.18%	6.26%
Return on tangible equity (ROTE)	12.43%	6.99%
Return on assets (ROA)	0.63%	0.36%
Financial margin / Operating income	64.28%	52.43%
Net fee and commission income / Operating income	34.82%	40.38%
Operating expenses / Operating income	48.14%	54.14%
Operational productivity figures (expressed in thousands of euro)		
Loans to customers (net) per employee ([1])	5,545.5	5,677.6
Operating income per employee ([1])	281.0	242.4
Operating expenses per employee ([1])	135.2	131.3
Credit risk ratios (expressed in percentages)		
Net bad loans/Loans to customers (net)	0.59%	0.66%
Unlikely to pay/Loans to customers (net)	1.11%	1.44%
Net bad loans/Shareholders' equity	4.46%	5.54%
Texas Ratio	14.43%	19.82%
Other ratios		
Financial assets and hedging derivatives / Total assets	21.62%	22.70%
Total derivatives/Total assets	1.42%	2.34%
- trading derivatives/total assets	0.94%	1.44%
- hedging derivatives/total assets	0.48%	0.90%
Net trading derivatives /Total assets	0.06%	0.03%
Loan to deposit ratio (net loans/direct funding)	87.30%	90.73%
Regulatory capitalisation and liquidity ratios		
Common equity Tier 1 ratio (CET1 capital ratio) ([2])	14.16%	12.84%

	31 December 2023	31 December 2022 Restated (*)
Tier 1 capital ratio ([2])	16.33%	15.16%
Total capital ratio ([2])	19.00%	18.04%
Liquidity Coverage Ratio (LCR)	187%	191%
Leverage ratio	5.22%	4.75%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	1,515,182,126
Official closing prices of the stock		
- Final	4.781	3.334
- Maximum	5.324	3.630
- Minimum	3.403	2.268
Average	4.259	2.877
Basic EPS	0.836	0.452
Diluted EPS	0.836	0.452

(*) The figures relating to the year ended 31 December 2022 have been restated following the retrospective application of IFRS 17 by the Group's insurance companies, as well as IFRS 9 for associates.

([1]) Arithmetic average calculated on a monthly basis in terms of full-time equivalent resources, as shown in the previous table. Does not include the Directors and Statutory Auditors of Group Companies.

([2]) The capital ratios as at 31 December 2023 were calculated by including the net result for the year 2023 net of the proposed dividends and other allocations of profit. The capital ratios as at 31 December 2022 were restated with respect to those published in the 2022 Annual Financial Report following the retrospective application of IFRS 17 by the Group subsidiary and associated insurance companies, and IFRS 9 for associates'.

Alternative Performance Measures

In order to better evaluate the Issuer's financial management performance based on the consolidated financial statements of Banco BPM for the years ended 31 December 2023 and 31 December 2022, the 8 February 2024 Press Release and the 7 May 2024 Press Release, the management has identified several Alternative Performance Measures (**APMs**). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the Issuer, because they facilitate the identification of significant operating trends and financial parameters. For additional information on APMs included in this Prospectus and the documents incorporated by reference, see the section entitled "*Results – Note on methodology*" on pages 46-47 of the 2023 Annual Financial Statements and "*Explanatory Notes – Alternative Performance Measures*" on pages 15-16 of the 7 May 2024 Press Release, which are incorporated by reference in this Prospectus.

Credit quality

(in millions of Euro) (*)	31 December 2023		31 December 2022	
	Net exposure	% impact	Net exposure	% impact
Bad loans	626.2	0.6%	720.6	0.7%
Unlikely to pay	1,168.3	1.1%	1,574.8	1.4%
Non-performing past-due exposures	67.1	0.1%	60.1	0.1%
Non-performing loans	**1,861.7**	**1.8%**	**2,355.5**	**2.2%**
Performing exposures	**103,565.1**	**98.2%**	**107,099.5**	**97.8%**
Total loans to customers	**105,426.7**	**100.0%**	**109,455.0**	**100%**

(*) The chart sets forth credit quality information in respect of the assets of the Group accounted at amortised cost only.

In December 2022, Banco BPM completed a significant and complex restructuring of non-performing loans attributable to a leading real estate group, aimed at pursuing the management of the properties underlying the aforementioned exposures, with the support of a specialised partner and the inflow of new financing for development of the properties by third parties (transaction named "Wolf"). As a result of the cited transaction, as at 31 December 2022 the new restructured loans were in the accounting portfolio of "Financial assets mandatorily measured at fair value" and recognised in the financial statements for a total value of Euro 219 million. The aforementioned loans were classified "performing exposures" as it was deemed that, taking into account the extraordinary elements that characterised the transaction and which substantially resulted in a change in the ownership and control structures of the initiative and a significant improvement in the overall position of the customer, the restructuring transaction did not represent an ordinary forbearance measure. In the 2022 Annual Financial Statements, it was also stated that, at the date of its preparation, this interpretation was the subject of ongoing discussion with the Supervisory Authority. The ECB's examination referred exclusively to the classification of exposures for prudential purposes, without prejudice to the classification and measurement of exposures in the financial statements as at 31 December 2022, as the prudential classification has no impact on the determination of their fair value.

On 23 March 2023, on completion of its analyses the ECB announced that, from a prudential point of view, the finalised restructuring transaction in any event represents a forbearance measure against which it is not possible to change the classification of the exposure, which remains a "non-performing exposure".

In compliance with the aforementioned indications, the Group restored the prudential classification of the loans in question as "non-performing exposures". As at 31 December 2023, the fair value of the exposures in question, amounting to Euro 219 million, is therefore represented under "unlikely to pay" in the portfolio of "Financial assets mandatorily measured at fair value".

Capital Requirements for the Group

On 8 December 2023, Banco BPM announced that it had received from the ECB the notification of the prudential decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual Supervisory Review and Evaluation Process (**SREP**), bringing the Pillar 2 capital requirement (P2R) to 2.52%, an improvement compared to that of the previous year (2.57%).

Such P2R requirement shall be met by CET 1 capital for 1.53% (consisting of 0.27% for the "calendar provisioning shortfall" and 56.25% for the remaining 2.25%), with Tier 1 capital for 0.42% and with Tier 2 capital for 0.56%.

Taking the above into account, the requirements set out for other systemically important institutions (equal to 0.50% for 2024), the capital conservation buffer (equal to 2.50%) and the countercyclical capital buffer established by the competent national authorities for exposures to countries in which the Group operates (equal to 0.04%), the Banco BPM Group was required to comply with the following capital ratios at consolidated level for 2024:

- CET1 ratio: 9.08%;
- Tier 1 ratio: 11.00%;
- Total Capital ratio: 13.56%.

The Banco BPM Group satisfied these prudential capital ratios on a stated basis as at 31 December 2023, with a CET1 ratio of 14.16%, a Tier 1 ratio of 16.33% and a Total Capital ratio of 19.00%.

Rating

The international agencies Moody's Investors Service (**Moody's**) through Moody's France SAS, Fitch Ratings (**Fitch**) through Fitch Ratings Ireland Limited, S&P Global Ratings Europe Limited, Italy Branch (**S&P**) and Morningstar DBRS (**DBRS**) through DBRS Ratings GmbH have assigned ratings to the Issuer. Moody's, Fitch, S&P and DBRS are regulated under the Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 on credit rating agencies.

As at the date of this Prospectus, the following ratings have been assigned by Moody's to the Issuer: (i) Long and Short Term Deposit Ratings of Baa1/P-2, where the Long Term Deposit Ratings has a Stable Outlook; and (ii) Long-Term Issuer Rating and Long-Term Senior Unsecured Rating of Baa2, with Stable Outlook.

As at the date of this Prospectus, the following ratings have been assigned by Fitch to the Issuer: (i) Long and Short Term Issuer Default Rating of BBB-/F3, where the Long Term Issuer Default Rating has a Stable Outlook; and (ii) Viability Rating of bbb-.

As at the date of this Prospectus, the following ratings have been assigned by S&P to the Issuer: Long and Short Term Issuer Credit Rating of BBB-/A-3, where the Long Term Issuer Credit Rating has a Positive Outlook.

As at the date of this Prospectus, the following ratings were assigned to the Issuer by Morningstar DBRS: (i) Long-Term Deposit Rating of BBB (high), with Stable outlook; (ii) Short-Term Deposit Rating of R-1 (low), with Stable outlook; (iii) Long-Term Issuer Rating and Long-Term Senior Debt Rating of BBB, with Positive outlook; and (iv) Short-Term Issuer Rating and Short-Term Debt Rating of R-2 (high), with Positive outlook.

BUSINESS DESCRIPTION OF THE ISSUER AND THE GROUP

Introduction

Banco BPM S.p.A. (the **Issuer** or the **Bank** and together with its subsidiaries, the **Group** or the **Banco BPM Group**) was incorporated on 13 December 2016 and is one of the largest banking groups in Italy as at 31 December 2023, based on revenues, assets and net income, with 19,011 employees, 1,436 branches. Banco BPM's duration has been set to 23 December 2114, however it may be extended.

The Group is the product of the combination between Banco Popolare Società Cooperativa (**Banco Popolare**) and Banca Popolare di Milano S.c.a.r.l. (**BPM**).

The Group's core activities are divided into the following business segments: (i) Retail, (ii) Corporate, (iii) Institutional, (iv) Private, (v) Investment Banking, (vi) Insurance, (vii) Strategic Partnerships and (viii) the Corporate Centre.

The majority of the Group's activities are based in Italy. Outside of Italy, the Group has foreign operations in Switzerland, China and India.

History of the Group

BPM

BPM was incorporated as a limited liability co-operative company in 1865 to facilitate access to credit for merchants, small businessmen and industrialists. In 1876, BPM became part of the "*Associazione nazionale delle Banche Popolari*" and in the early 1900s it increased its business through the establishment of new branches in northern Italy. From the 1950s onwards, BPM grew considerably through the acquisition of interests in other lending institutions and the incorporation of several banks such as Banca Popolare di Roma, Banca Briantea, Banca Agricola Milanese, Banca Popolare Cooperativa Vogherese, Banca Popolare di Bologna e Ferrara, Banca Popolare di Apricena, INA Banca, Cassa di Risparmio di Alessandria, Banca di Legnano and Banca Popolare di Mantova. The late 1980s saw the establishment of the Bipiemme – Banca Popolare di Milano group (the **BPM Group**), of which BPM was the parent company, performing, in addition to banking activities, strategic guidance, governance and supervision of its financial and instrumental subsidiaries. The BPM Group operated mainly in Lombardy (where 63% of its branches were situated), but also in Piedmont, Lazio, Puglia and Emilia Romagna, predominantly providing commercial banking services to retail and small-medium sized enterprises (SMEs) as well as to corporates, through a dedicated internal structure. In addition, BPM offered its customers capital market services, brokerage services, debt and equity underwriting, asset management, insurance underwriting and sales, factoring services and consumer credit. From 1999 onwards, BPM operated an online banking service called WeBank.

Banco Popolare

Banco Popolare was incorporated on 1 July 2007 following the merger between Banco Popolare di Verona e Novara Società Cooperativa a Responsabilità Limitata (**BPVN**) and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa (**BPI**). Banco Popolare, together with its subsidiaries, formed the Banco Popolare group (the **Banco Popolare Group**).

In turn, BPVN was incorporated in 2002 as a result of the merger between Banca Popolare di Verona – Banco S. Geminiano and S. Prospero Società cooperativa di credito a responsabilità limitata.

BPI was incorporated in 1864 and was the first cooperative bank established in Italy. It was formed to promote savings by local customers and to provide banking services to support their business activities. BPI was listed on the *Mercato Ristretto* of the Italian Stock Exchange in 1981 and was listed on the MTA from 1998 onwards. In June 2005, BPI changed its name from Banca Popolare di Lodi S.c. a r.l. to Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa.

Banco Popolare operated abroad through an international network made up of banks, representative offices and international desks. It also had relationships with around 3,000 correspondent banks. The Group's foreign operations included a subsidiary company, Banca Aletti Suisse, and representative offices in China (Hong Kong and Shanghai), India (Mumbai) and Russia (Moscow). In 2014, following a merger by incorporation of Credito Bergamasco, Banco Popolare further simplified its organisational model by rationalising Credito Bergamasco's local management. On 16 March 2015, Banca Italease S.p.A. was merged into Banco Popolare with effect for accounting and tax purposes as of 1 January 2015.

Banco BPM

Banco BPM carries out the functions of a bank and holding company, which involve operating functions as well as coordination and unified management functions in respect of all the companies included within the Banco BPM Group.

Structure of the Group

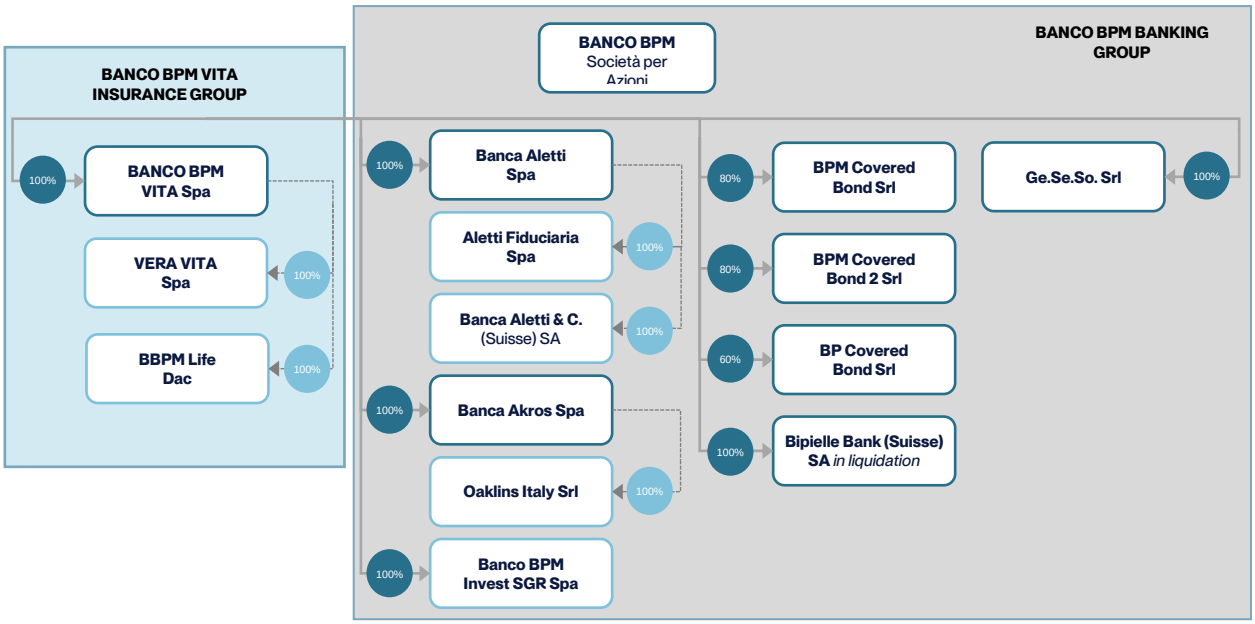
During 2023, the Group completed the below detailed initiatives with the aim of streamlining its corporate and organisational structure, simplifying its structure, optimizing and enhancing resources and reducing costs.

In particular, the partial demerger of Tecmarket Servizi to Banco BPM was finalised; it regarded the assignment of a business unit relating to the activities carried out by the subsidiary on the technology platform for the You Business Web service, intended for entities and companies that are customers of Banco BPM, as well as technological services, functional to specific businesses of Banco BPM for its customers. The activities related to the management of terminals and technical assistance to customers for POS and Mobile POS services, which were subsequently the subject of the project to enhance the e-money business, as described in the paragraph "Strategy" below, were excluded from the scope of sale. The partial demerger, carried out with a simplified procedure pursuant to Articles 2505 and 2506-ter of the Italian Civil Code, is effective, also for accounting and tax purposes, from 1 January 2023.

Furthermore, on 29 May 2023, the Boards of Directors of the Parent Company and the subsidiary Banca Akros approved the project for the partial demerger, pursuant to Arts. 2506 bis and 2501 ter of the Italian Civil Code, which envisages the assignment by Banca Akros to Banco BPM of the business unit consisting of the set of assets and resources organised for the performance of the "Proprietary Finance" activities of Banca Akros and includes the related financial assets and liabilities, of a 20% equity interest in Vorvel SIM, relations with custodian banks, brokers and counterparties, in addition to employment contracts with 60 employees.

Since the share capital of Banca Akros is, at the effective date, entirely held by Banco BPM, the Demerger was implemented in a simplified form, pursuant to the combined provisions of Articles 2506 - ter, fifth paragraph, and 2505, first paragraph, of the Italian Civil Code and, therefore, without determining any exchange ratio. Following the issue on 22 September 2023 of the ECB's authorisation pursuant to Art. 57 of Italian Legislative Decree no. 385/1993, the next stages of the corporate demerger process were carried out, the last of which was the signature of the demerger deed on 18 December 2023. The demerger took effect from 1 January 2024.

The structure of the Banco BPM Group, as at the date of this Prospectus, is as follows:



Strategy

On 11 December 2023 the Board of Directors of Banco BPM approved the 2023-2026 Strategic Plan setting out updated targets for the Group through 2026 and which supersedes the previous 2021-2024 Strategic Plan. The 2023-2026 Strategic Plan reflects the outcome of a growth and innovation path that Banco BPM has embarked on in recent years that has strengthened its profitability, consolidated its capital position, improved its overall risk profile, transformed its business operations through a wider adoption of digital channels, enhanced its business model and finalised a growing integration of sustainability.

Main Assumptions underlying the 2023-2026 Strategic Plan

The 2023-2026 Strategic Plan was developed by incorporating the new macro-economic outlook and changes in the regulatory environment. Macro-economic assumptions include a slowdown in inflationary dynamics, together with a substantial stabilisation of economic growth and a normalisation of interest rates starting from 2025.

In addition, the development of the 2023-2026 Strategic Plan rests on the following key aspects of the Group:

- **excellent geographical position**: the Group operations are concentrated in the richest regions of Italy, with the majority of loans to customers concentrated in Northern Italy and Tuscany, with a significant market share in terms of retail branches in Northern Italy;
- **solid business model**: the Group's business model entails the provision of a full range of banking products and financial services, which relies on the full ownership of highly specialised banks, such as Banca Akros and Banca Aletti, as well as significant holdings in leading product factories in asset management, consumer credit, bancassurance and e-money. In particular, the following transactions have been completed or are expected to be completed in the near future:

- on 15 December 2023, the purchase of the 65% stake in the capital of Vera Vita and Vera Assicurazioni, with simultaneous resale of the latter stake – coupled with the stake of 65% in Banco BPM Assicurazioni S.p.A. (a company active in the non-life sector currently wholly owned by Banco BPM through Banco BPM Vita S.p.A.) – to Crédit Agricole Assurances S.A.; as a result of this transaction, Banco BPM internalised its entire life insurance business and activated a partnership in the non-life sector with a European leader in this business.;
- by the end of the second quarter of 2024, the contribution of Banco BPM's e-money activities to the BCC Pay S.p.A. joint venture, with the payment of a mixed consideration in cash and in shares issued by the Pay Holding vehicle, which in turn controls the entire capital of BCC Pay S.p.A.; upon completion of the transaction, the joint venture will become the second largest Italian operator in the payments sector, of which Banco BPM will hold approximately 29%;

- **excellent track record**: over the past seven years, the Group achieved improvements in terms of efficiency, derisking, profitability and capital position. The excellent results achieved have made it possible to exceed the targets for 2023 and 2024 of the 2021-2024 Strategic Plan, one year ahead of schedule;
- **digital transformation**: the Group adopted a new service model that has enabled increasing operations via applications, which has surpassed physical operations in the branch, and an integration of ESG aspects.

2023-2026 Strategic Plan's objectives

Through the implementation of the 2023-2026 Strategic Plan, the Group has the objective to significantly increase shareholder remuneration by exploiting financial and industrial levers.

In particular, the higher cost of funding is expected to be partially offset by a "substitution effect" of new assets generating higher returns compared to the maturing stock, volume dynamics - with the stock of loans to customers returning to 2022 levels over the 2023-2026 Strategic Plan horizon – as well as by active balance sheet management (such as the increase in hedging on sight deposits accounted for in hedge accounting and the optimisation of the securities portfolio).

Over the 2023-2026 Strategic Plan horizon, the results are also expected to benefit from growth in commission income based on a greater commercial effectiveness achieved through the offer of value-added solutions for SME & Corporate customers, the acceleration in wealth management as well as the effects of the process of internalisation/partnership with the main product factories in terms of higher contribution of revenues generated by life insurance.

As far as cost dynamics are concerned, the continuation of the path of rationalisation of the distribution network and the simplification of the operating model will make it possible to offset the inflationary effect and enable the increase in investments to support growth; the workforce will be affected by 1,600 exits, including through a redundancy incentive plan to be activated in 2024, with new entry of 800 high-potential young people.

In addition, the 2023-2026 Strategic Plan includes deleveraging and derisking activities which will benefit the NPE ratio and the cost of risk, based on a further strengthening of lending strategies and workout capacity, the consolidation of the default prevention safeguards, as well

as an improved recovery performance, to which State guarantees covering a major share of exposures in the portfolio to date are set to contribute in a positive way.

Pillars underpinning the 2023-2026 Strategic Plan

As detailed below, the 2023-2026 Strategic Plan rests on seven main pillars which will allow the Group to achieve its targets.

Pillar 1 – Broadening of Banco BPM's leadership in SMEs & Corporate Investment Banking while supporting green transition

Banco BPM's territorial footprint is characterised by a privileged positioning in the Italian regions with the greatest entrepreneurial propensity and that contribute significantly to the country's economic and industrial development. Banco BPM is recognised today by Italian companies as a partner of reference in their paths of business development.

Enhancing this strong starting point, as part of the 2023-2026 Strategic Plan, the Group aims to further consolidate its leadership in this customer segment, which is divided commercially into Corporate & Investment Banking (including larger-sized companies) and SMEs.

Operationally, a series of initiatives will be undertaken on:

1. Corporate and Investment Banking segment

   - Evolution of the service model for a better coverage of customers through dedicated key account managers, adoption of a segmentation based on potential and revision of the coverage model from an industrial perspective (e.g. focus on PNRR, PowerGen and Private Equity);

   - Scale up of high-potential offering areas with focus on full potential of Banca Akros (synergies in origination on the Group's client base and expansion of the offering) and in supply chain finance;

   - Expansion of leadership on existing customer base through originate to share solutions as growth enablers and digitisation initiatives in global transaction banking to achieve economies of scale and gain market share on high value-added business areas; and

   - Specific focus on growth in the Large segment, particularly in capital market and bond issuance services, leveraging also the investment grade status achieved by Banco BPM;

2. SME segment

   - On small-business customers, acceleration of the digitalisation and simplification path as enablers for the release of commercial time in the network and growth of value-added services: evolution of app and business site enabling a best-in-class experience in transactional services, activation of smart and digital lending through "fully remote" processes on selected credit product offerings during 2024, development of the digital branch dedicated to small and medium-sized businesses; and

   - On SME customers, further exploitation of synergies with the Corporate & Investment Banking structure ("**CIB**") such as Structured Finance and Global Transaction Banking as well as with Banca Akros and Banca Aletti for solutions geared to meet the full range of financial needs at 360°; strengthening of specialised offering and model for agrobusiness and continuation of the territorial footprint optimization path with new openings of SME Business Centers on areas with higher growth potential.

Transversely to the two segments CIBs and SMEs, Banco BPM's role as a partner for businesses in their development plans in support of a sustainable transition is expected to be accelerated and strengthened, with a set of solutions that will accompany them in the different stages in their development through the creation of an ESG factory focused on:

- ESG training: solutions and initiatives for the development of new skills, in synergy with BBPM Academy, carrying out more than 3,000 hours of ESG training for businesses in the three-year period 2024-2026;

- ESG advisory: identification of ESG development priorities, creation of a partnership ecosystem with leading ESG solution providers, and completion of the roll-out of a diagnostic ESG tool to be integrated as part of lending processes; and

- ESG offering: suite of products and solutions aligned with the EU Taxonomy in order to finance specific initiatives to support a concrete sustainable transition; the new green financings to businesses and the new financings in support of green or low-risk transition sectors will average more than €10bn per year (vs. approximately €8bn annualised in the nine-month period of 2023); development of the decarbonization strategy of asset portfolio under the Net Zero Banking Alliance, with target setting on priority sectors by the third quarter 2024, roll-out to the totality of identified sectors by 2026 and adherence to the Science Based Target initiative.

Pillar 2 – Reinforcing wealth management and life insurance

The 2023-2026 Strategic Plan envisages a continuation and strengthening of the path already undertaken to increase the market share on the segment of indirect customer funds and the share of asset management on total customer funding.

The main industrial actions behind the planned growth are: (i) net inflows in assets under management boosted by an expected context of decreasing interest rates and, within such dynamic, (ii) extra-growth in the life insurance business, due to internalization and refocusing in the segment.

Operationally, a series of initiatives shall be activated to enable the achievement of the following results:

- Affluent segment: introduction of a differentiated approach by target customers based on a new dynamic and behavioural segmentation – with the goal to assign about customers with high-growth potential to expert relationship managers – enabling tools for off-branch offering and completion of tools for remote offering to better serve all customer segments; and

- Private Segment: development of an offering dedicated to entrepreneurial families and high net worth individuals; revenue internalization programme through SICAVs and remunerated advisory on assets under administration.

Cross-segment initiatives, enabling and qualifying the actions in the Plan will be: development of a new evolved dispositive and advisory platform of the group, integration of the same also with the insurance offer (protection), integration with the group CRM and with AI solutions to enable the offer of solutions to meet customers' needs; strengthening of the ESG offer both in the advisory component and as generation of products to implement the offer catalogue.

Pillar 3 – Capturing value from recent deals in P&C insurance and Payments business

The 2023-2026 Strategic Plan envisages the maximization of the value generated by strategic partnerships.

The planned growth in commissions from the payments business is largely driven by expected growth at the market level and to a minor extent by managerial initiatives enhancing the capacity of the new Partner "Payco/BCC Pay". This new agreement shall come into full effect following the closing expected in the first half of 2024 and shall support further cross-selling and up-selling developments through joint marketing actions (also dedicated to specific customer clusters – e.g. corporate/customers with high transaction levels).

Growth in distribution fees in the bancassurance P&C business – which will leverage synergies from the activation of the new partnership with Crédit Agricole Assurance, Europe's leading bancassurer, whose completion was announced on 15 December 2023 – derives from an expected recovery in "Credit Protection", in line with new credit disbursement targets, and in the "Non-Credit protection" P&C market. Managerial initiatives will be undertaken with a view to close the product penetration gap with respect to the benchmark on the customer base, including: the development of tools for customer insurance "check-up" and insurance gap assessment; the integration of the insurance offer into commercial routines and the new wealth management platform; and the development of new evolved products due to the skills of the new partner. Finally, distribution capacity will be maximised due to the recently reinforced network of Bancassurance Specialists with a dedicated sales branch.

Pillar 4 – Benefiting from further omnichannel reinforcement

As part of the omnichannel initiatives, the Bank, building on the solid initiatives already undertaken in recent years, intends to pursue:

- a programme to accelerate digital sales and customer activation, which will rely on the completion of the new marketing automation platform, enhanced digital marketing activities, and further development of the product catalogue that can be purchased online;

- further evolution of advisory in an omnichannel logic by expanding the possibilities of offering advisory services also 'out-of-office', integrating the wealth management platform into the advanced CRM tool and upgrading the branch front-end;

- the transformation of the network, which includes a further reduction in branches and cash counter locations, also leveraging on the acquisition of new evolved ATMs, the launch of a programme to digitalise the customer experience in the branch and the dimensional growth of the digital branch, born from the evolution of the Customer Center which, thanks to the optimization/digitization of customer service activities, will be increasingly focused on the development of commercial activities integrated in marketing activities.

Further support for digital/omnichannel transformation initiatives are expected to be obtained by the implementation of AI/generative AI solutions with specific "use cases" including the personalization and optimisation of the marketing content funnel, the elaboration of co-piloting solutions in the financial advisory area, and the development of an in/outbound flow optimizer for the digital branch.

A new signature initiative of the 2023-2026 Strategic Plan is the activation of a programme aimed at the acquisition of new retail customers, which will be based on both a refocusing of the commercial network and a re-boost of WeBank as the prevailing acquisition engine for

digital customers. The relaunch of Webank will also be linked to the introduction of remote financial advice through the digital branch and the reactivation of selective deposit remuneration offers.

Pillar 5 – Enhancing tech innovation, lean banking and cybersecurity

The 2023-2026 Strategic Plan aims to accelerate the innovation process through an increase in IT investments over the next three years with a focus on high value-added initiatives aimed at ensuring full digitisation of the offering to customers, improved service quality and high operational efficiency by promoting a cost-excellence culture internally. The goal also is to free up resources previously allocated to support the Bank's ordinary operations in favour of investments aimed at fostering its transformation.

Through these investments, the 2023-2026 Strategic Plan will implement a major evolution of the Group's IT infrastructure through several transformative initiatives in the following areas:

- Technology: relying on an already digital, state-of-the-art front-end customer interface, the Group aims to make the "back-end" more agile, performant and scalable, also through the migration of significant workloads of the information system to the cloud, and accelerate innovation in our processes;

- Security: over the next three years (2024-2026), significant investments will be made in cybersecurity in order to further strengthen the Group's security and business continuity safeguards and to ensure its resilience;

- Artificial Intelligence: the Group aims to transform the way it does banking by boosting innovation through Advance Analytics, Machine Learning & Generative AI solutions supporting new revenue generation (e.g. AI data-driven advisory), cost containment (digitisation of operations, simplification of knowledge management) and credit and risk management (e.g. smart/fast lending): over the next three years, for this purpose around 30 use cases of Artificial Intelligence (of which 30% with generative AI) will be realised to support business objectives and operational machine efficiency;

- Key competence strengthening: the digital transformation and strengthening of the Group's delivery machine will be accompanied by the reinforcement and internalization of distinctive competencies.

In terms of costs and operations, the aim of the 2023-2026 Strategic Plan is to generate savings on operations acting on:

- optimization of ICT spending (e.g. vendor/contract optimization, architecture and hardware upgrades);

- streamlining of operations through automation, review and simplification of processes;

- disposal of the current non-instrumental real estate assets;

- further spending optimisation actions on the remaining cost categories (introduction of zero-based budgeting processes, organisational de-layering initiatives and other cost containment actions).

A further step towards reducing the environmental impacts of the Group's operating model is also planned. Specifically, a decrease in consumption is planned from 2022 to 2026, confirming the achievement of carbon neutrality (scope 1 & 2) by 2024.

Pillar 6 – Further strengthening the Group's balance sheet

- **Credit and Asset Quality**: Banco BPM has completed an important de-risking path since 2016. In the horizon of the 2023-2026 Strategic Plan Banco BPM aims to continue the path of alignment with the main market peers in terms of NPE ratio and cost of risk. A series of initiatives will be triggered to enable the achievement of these results and ensure an increasing focus on preventing new flows to default, including: an increasing specialisation of credit policies with a growing focus on transition issues towards a green economy, activation of smart and digital lending processes for lower-complexity customers, with the aim of freeing up internal management capacity to be dedicated to higher-complexity customers; further specialisation of the team and strategies for managing high-risk positions; evolution of the operational credit management platform; and completion of the active NPE management process.

- **Liquidity and funding strategy**: Banco BPM's strategy will evolve over the three-year period 2023-2026 in line with the renewed reference context both in terms of funding strategies and optimisation of the securities portfolio. The funding strategy envisages new securities issues through a diversified funding mix, a positive net position towards the European Central Bank and enhancing investment grade status, from which Banco BPM will benefit in terms of lower cost of funding. Banco BPM will also consolidate its leadership role as an issuer of green, social and sustainable bonds through a new ESG issuance framework fully aligned with the EU taxonomy;

- **Capital**: capital will be maintained at very solid levels and with ample buffers against regulatory capital requirements, thanks to strong organic capital generation from expected economic results and the implementation of capital management actions, where the confirmation of the use of the synthetic securitisation tool, combined with the adoption of a business approach attentive to risk weighted assets absorption, is particularly noteworthy; this will make it possible to meet commitments to increase shareholder remuneration, support business growth and cope with the effects of regulatory headwinds, including a prudential estimate of Basel III.

Pillar 7 – Empowering people and the community in line with the Group's social vocation

The 2023-2026 Strategic Plan will focus on change management initiatives, women empowerment and customised professional development paths, fostering inter-generational exchange and generational turnover through sustainable and inclusive styles leveraging various initiatives:

- hiring approximately 800 young people to ensure generational turnover, of which about 200 Tech and IT specialists (e.g. data scientists, cloud and cybersecurity specialists);

- the creation of an academy to generate value in professional growth paths and to implement reskilling initiatives;

- customised growth programmes, with a focus on managerial development;

- introduction of smart working for network sales figures;

- implementation of new internal communication tools to increase their effectiveness;

- development of initiatives to foster the spread of a culture of respect and inclusion.

As part of the initiatives to support the community, the Horizon project will continue to develop on:

- Schools Project: renewal of the project launched by the Group in 2018 to address the need for concrete means for public schools. In the three-year period 2024-2026, more than 100 social initiatives will be launched on average per year to concretely help local communities, schools and students;
- Financial education and ESG awareness: Banco BPM, also in collaboration with institutional partners, will carry out a series of initiatives to promote an economic and financial culture. Over the three-year period 2024-2026, more than 4,000 hours of training will be provided on financial education and ESG awareness;
- Corporate volunteering: the goal is to carry out more than 2,000 hours on average per year of corporate volunteering over the next three years;
- Sponsorships and donations: dedicated support to social issues for local community projects, voluntary associations and non-profit organizations. A response to the real needs of the territory, confirming the Bank's role as a value creator. At national level, from 2019, Banco BPM is an Institutional Partner of AIRC to support research against cancer;
- Disbursements to third-sector enterprises.

Strategic sustainability ambitions

The 2023-2026 Strategic Plan includes also the following strategic sustainability ambitions:

- support the Group’s customers in their transition path through consultancy and commercial offerings, consistent with the adherence to the Net Zero Banking Alliance;
- strengthen climate and environmental risk management and monitoring;
- continue to reduce the Group’s environmental impact;
- further improve the Group’s strategy for people, generational change and women empowerment;
- strengthen the Group’s leadership position as a third-sector lending bank;
- confirm the Group’s position as a top “Community Bank” with a strong impact on local communities (with a focus on schools and education);
- continue to maintain the alignment of the short- and long-term incentive plans for managers and employees with ESG objectives;
- support the Group’s digital transformation with robust privacy and cybersecurity management.

Activities of the Group

The Group's core activities can be divided into the following business segments: (i) Retail; (ii) Corporate; (iii) Institutional; (iv) Private; (v) Investment Banking; (vi) Insurance; (vii) Strategic Partnerships; (viii) Finance and (ix) Corporate Centre.

The table below sets forth the main financial results for each business lines for the years ended 31 December 2023 and 2022.

	Group	Retail	Corporate	Institutional	Private	Investment Banking	Insurance	Strategic Partnerships	Finance	Corporate Centre
Operating Income										
2023	**5,341,442**	3,563,523	920,392	212,658	132,917	144,308	78,151	111,833	93,184	84,476
2022(*)	**4,673,953**	2,612,807	736,133	149,003	102,063	120,986	6,733	148,260	842,375	(44,407)
Operating expenses										
2023	**(2,571,163)**	(1,840,027)	(216,496)	(46,514)	(85,366)	(101,830)	(13,906)	(2,380)	(68,016)	(196,628)
2022(*)	**(2,530,391)**	(1,872,511)	(215,750)	(45,604	(75,919)	(90,438)	(6,581)	(2,400)	(59,913)	(161,275)
Profit (loss) from operations										
2023	**2,770,279**	1,723,496	703,896	166,144	47,551	42,478	64,245	109,453	25,168	(112,152)
2022(*)	**2,143,562**	740,296	520,383	103,399	26,144	30,548	152	145,860	782,462	(205,682)
Profit (loss) for the year										
2023	**1,264,453**	795,912	352,324	97,861	23,885	28,882	56,285	110,810	12,017	(213,523)
2022(*)	**685,047**	58,519	195,330	54,565	10,924	18,725	(3,851)	147,289	509,408	(305,862)
Net loans (including senior securities from sales of non-performing loans)										
2023	**105,426,729**	59,417,979	29,439,419	6,464,184	598,968	296,151	-	-	6,235,777	2,974,251
2022(*)	**109,454,960**	63,090,530	31,038,075	6,837,905	542,734	1,773,022	-	-	2,403,909	3,768,785
Direct funding (without repurchase agreements with certificates)										
2023	**124,753,958**	83,262,030	7,199,097	11,555,352	2,107,453	2,276,176	-	-	19,228,439	(874,589)
2022(*)	**123,449,508**	86,189,947	7,554,654	11,078,524	3,001,082	2,858,602	-	-	13,631,140	(864,441)

(*) The figures for 2022 have been restated following the retrospective application of IFRS 17 and IFRS 9 for associated insurance companies; they were also recalculated to reflect the changes introduced in the composition of the operating segments and to guarantee a like-for-like comparison with the profiling criteria used for 2023.

A description of the individual business segments is given below, providing a more detailed analysis of the main activities conducted, both commercial and otherwise, divided in a manner that is in line with the internal organisation of the business segment in question.

Retail

The "Retail" segment includes the management and marketing of banking and financial products/ services and loan brokering, which are mainly aimed at private customers and small businesses.

These activities are mainly carried out by the commercial network of the Banco BPM Group (the **Commercial Network**).

Private Customers

During 2023, the Group was able to further strengthen and intensify the digital identity and remote sales processes, developed in the 2020-2021 two-year period, on most of the products offered: financial, insurance, loans and payment cards.

In 2023, the self-service sales channel was added on the App and web for some bancassurance and e-money products; development is also underway for Agos personal loan products. Online and self-service subscriptions allow customers to digitally sign contracts safely, simply and independently.

In addition, the Videocollaboration function was released for private customers on YouApp and Webank App, through which an appointment with their manager or a product specialist via video call, regardless of where the customer is.

Also on the business side, customers can now book a telephone consultation via app with their Business manager; the implementation of the Videocollaboration function for the business segment is being developed.

Lastly, Banco BPM and Webank digital platforms (public websites, internet banking and mobile Apps) both for private and business customers are being continuously improved and extended, resulting in better remote operations and a wider range of services offered.

On the ESG side, further innovations are being developed, thanks to Banco BPM's constant commitment in this sphere, not only through the proposal of investment products linked to the green world, but also thanks to the progressive increase in products/services that can be subscribed remotely.

Banco BPM's Private customers include all private individuals, with the exception of Private Banking customers, natural persons who are either Personal or Universal customers.

Also for the Network rationalisation project, in 2023, an offer dedicated to customers impacted was developed.

As part of the digital transformation programme, launched through the .DOT programme, new initiatives have been released concerning the full digital and paperless process with the opening of the Webank Account completely online for joint accounts, thanks to recognition via SPID or bank transfer from another bank. The implementations on the online onboarding processes widen the offer target, improve the customer experience and the Bank's green profile.

The introduction of Digital Identity and the Signature Room facilitated the preparation of new processes for the sale of Banco BPM products, also online, both through the Online Channel, available to the manager or the Digital Branch, and through the self-service channel, which allows customers to be completely independent in the purchase of a product online, from the signing of contracts up to the receipt of the same at their home.

The Digital Identity contract, as an enabling element for the digital-driven service model that provides the customer with all the tools to communicate and interact with the Bank digitally and remotely, was signed by 1.3 million customers as at 31 December 2023. This result was also achieved thanks to the numerous initiatives aimed at increasing the dissemination of the ID through better customer engagement.

The initiatives involved both branch and online processes and envisaged:

- integrating messages in the sales processes of products and services in the branch;
- optimising the experience of the online application process on the Web and App channels;
- using a clear and concise communication language that enhances and makes the advantages of ID more tangible;
- signing the ID as the main enabler for self-service or online purchasing processes.

In addition, the Online Offer mode was extended to Webank customers and the catalogue of self-service and online products and services was further enriched, in particular:

- the new International Debit Card;
- self-service Agos Loans. Customers can apply for a flexible loan directly from the reserved area of YouWeb and Webank in a few simple steps.

Distribution Network

As of 31 December 2023, the Banco BPM Group had 1,436 branches. The Group's network is distributed throughout Italy, with a leading position in the northern part of the country, where the majority of the distribution network is concentrated. The branches are mainly located in the following regions: Lombardy, Veneto, Liguria, Piedmont, Emilia-Romagna, Tuscany and Lazio.

Branches

Branches	**Actual 2023**
Banco BPM	1,382
Banca Aletti	53
Banca Akros	1
Total	1,436

Business Customers

The distribution of customers (unique customers with current accounts) by turnover level confirms the significant concentration in the class of up to 25 million (approximately 99%) already recorded in previous years, attesting to the vocation of Banco BPM Group in its relations with medium-sized companies.

Regarding the breakdown of customers by production sector, commercial and manufacturing activities continued to represent the most significant area, followed by those related to construction and property, catering and the agricultural sphere.

The distribution of Business customers includes a significant proportion of small and medium enterprises, for which the Group further strengthened its activities in 2023, thereby confirming its role as the bank of reference and support for the entrepreneurial fabric in the main areas served.

Corporate

The "Corporate" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at medium and large-sized companies. These activities are for the most part carried out by the Parent Company's Commercial Network. In 2023, the new Corporate & Investment Banking Division (CIB Division) of Banco BPM was established, reporting directly to the Chief Executive Officer, which coordinates: the Corporate function (Management and Commercial Network), the

specialised high value-added units, such as Structured Finance and Global Transaction Banking, as well as Banca Akros, the company that oversees the Group's investment banking activities.

The presence of a Commercial Network dedicated to larger companies (the Corporate commercial network serves Corporate companies with group turnover greater than 75 million and Large Corporate companies with group turnover exceeding 1 billion), structured and strongly rooted in a dynamic business and economic fabric, represents a component of great value and an important strategic factor: it guarantees proximity, a solid relationship with the most evolved customers, concrete support for the growth of companies and, through them, of the communities.

In parallel with the launch of the new CIB Division and the continuous evolution of the digitalisation process of the Corporate service model, in 2023 territorial coverage was further strengthened, in particular in areas with high development potential, through the establishment of three new Corporate Centres:

• 1 "Central Italy" Corporate Centre, based in Rome;

• 2 Large Corporate Centres, as part of the Large Corporate Market.

In terms of geographical distribution, the companies served are mainly present in the more economically dynamic regions, characterised by high GDP values and a greater concentration of industries and services.

The territorial spread of the Corporate Network involves all regions of the peninsula and is therefore able to support all types of companies, even in areas with reduced numbers.

The Corporate segment encompasses approximately 14 thousand individual counterparties with a volume of approximately 36 billion in loans (cash and unsecured loans) and approximately 7 billion in direct funding (progressive average figures as at December 2023).

The role of relationship managers was fundamental, as they represent the core of the Corporate commercial network and work in close synergy and coordination with the CIB units and corporate centres (Structured Finance, Supply Chain Finance, Global Transaction Banking, Investment Banking).

Over 200 Structured Finance transactions were concluded in 2023, for a total subscribed amount of around 7.5 billion, Of these, over 100 transactions, for over 5 billion in loans subscribed, relate to Corporate Lending. The following categories, in terms of numbers and relative volumes, are Leveraged transactions (around 50 transactions, for over 1 billion), Real Estate transactions (over 30 transactions, for around 800 million), and lastly Project Finance transactions (over 20, for a total of around 650 million).

Institutional

The "Institutional" segment includes the management and marketing of banking and financing products/services and loan brokering, which are mainly aimed at bodies and institutions (UCIT units, SICAVs, insurance companies, pension funds and banking foundations). Those activities are conducted in an equal amount by the Commercial Network of the Parent Company, for

"local institutional" counterparties, and by specialised branches, for "systemically-important institutional" counterparties.

The business offices that the Institutional Customers, Entities and Third Sector Function is comprised by, are as follows:

- Institutional Customers, Religious Entities and the Third Sector, to which the following business units report:
  - Institutional Counterparty Managers;
  - Institutional Counterparties (dedicated branch);
  - Third Sector and Religious Institutions.
- Centralised Partnerships with alliances external to the Group;
- Entities and the Public Administration.

Institutional counterparties are the main supervised parties such as insurance companies, non-banking finance companies, asset management companies (SGRs), "*società di intermediazione mobiliare*" (**SIMs**), open and closed-end mutual funds, bank foundations, social security and social welfare entities and pension funds. Furthermore, institutional counterparties also encompass the state, constitutional bodies, central state entities and several companies part-owned by the central public administration, in addition to regional authorities, healthcare organisations and hospitals and large municipalities.

Relations with the Institutional counterparties are monitored through a complete service model, which includes managers and specialised employees and a dedicated branch, which handles the transactions of the accounts held by Institutional Counterparties Customers.

With a view to achieving greater efficiency in the management of relationships, the Group's services have been harmonised and commercial partnerships have been developed with Banca Akros and Banca Aletti to make the range of services offered to this particular type of customer more complete and specialised. In 2023, activities related to securitisations intensified, within which Banca Akros acted as arranger and Banco BPM, through the banking book reserved to institutional customers as purchasers of the senior notes, thus implementing a path complementary to the more traditional one of direct loans, to support the real economy. Particular attention was paid to the financial support of companies associated with the MEF (Ministry of the Economy and Finance) that operate in the energy sector (i.e. Gestore Mercati Energetici (Energy Markets Authority) and Gestore Servizi Energetici (Energy Services Authority), CSEA, Invitalia providing them with operational/financial support, in application of the energy policies and, more generally, of redevelopment, managed by the Italian Government.

Private

The "Private" segment includes the management and marketing of banking and financial products/services and loan brokering, which are mainly aimed at private customers with assets that, individually and/or within their business, amount to at least Euro 1 million. These activities are carried out by Banca Aletti.

To support development activities, in line with the strategy of previous years, efforts were made, in concert with Banco BPM, to create opportunities to meet potential customers through several local events.

Investment Banking

The "Investment Banking" segment includes the structuring of financial products, access to regulated markets, and the support and development of specialised financial services. These activities are carried out by Banca Akros and by subsidiary Oaklins Italy S.r.l., which operates in the Merger & Acquisitions consulting business.

Insurance

The Insurance sector is the segment in which the contributions to the consolidated financial statements of the interests held in Banco BPM Vita, Banco BPM Assicurazioni, Vera Vita and Vera Assicurazioni converge.

The internalisation of the "Life" insurance business, which has already started with the acquisition of the entire share capital of Banco BPM Vita from Covéa in 2022, and the activation of a strategic partnership with Crédit Agricole Assurances S.A. ("CAA") in the bancassurance, Non-Life/Protection sectors, saw an evolution during 2023, which can be represented as follows.

On 29 May 2023, Banco BPM had exercised the call option vis-à-vis Generali Italia - envisaged in the agreements signed at the time with Cattolica Assicurazioni - on 65% of the share capital of Vera Vita S.p.A. and Vera Assicurazioni S.p.A., Companies in which Banco BPM already held a 35% interest. On said date, Vera Vita S.p.A., in turn, held the entire share capital of Vera Financial DAC, an Irish insurance company, while Vera Assicurazioni held 100% of the share capital of Vera Protezione S.p.A.

Following the exercise of this option, by virtue of the partnership signed in December 2022 between Banco BPM S.p.A. and CAA, and by virtue of the transactions concluded on 14 December 2023, after having obtained all the necessary authorisations:

- Banco BPM Vita S.p.A. acquired full control of Vera Vita S.p.A. (by acquiring the interest of 65% from Generali Italia S.p.A. and of 35% from the parent company Banco BPM S.p.A.) and therefore, indirectly, of Vera Financial DAC (now renamed BBPM Life DAC);

- CAA acquired the interests equal to 65% of the share capital of Banco BPM Assicurazioni S.p.A. (the minority interest, equal to 35%, remained with Banco BPM Vita) and of Vera Assicurazioni (the latter, subordinately after the repurchase by Banco BPM of the interest, also equal to 65% of the share capital);

- Banco BPM Vita S.p.A. acquired the 35% minority interest in Vera Assicurazioni S.p.A. from Banco BPM S.p.A..

Strategic Partnerships

The "Strategic Partnerships" segment includes the contribution of interests held in Agos Ducato, Alba Leasing, Selmabipiemme Leasing, Gardant Liberty Servicing and Anima Holding.

Finance

The Finance business line is the segment that encompasses the contributions to consolidation of activities relating to the portfolio of owned securities, treasury, Group Asset and Liability Management and the bond issues placed on institutional markets.

Corporate Centre

Contributions to the consolidated financial statements that are not represented in the other lines of business are included within the Corporate Centre business line. Specifically, the Corporate Centre includes the financial contributions of the Group's real estate companies, of the run-off activities relating to the Group's leasing business, as well as the centralised management of functions for the entire Group.

Environmental, Social and Governance Matters

The Group aims to ensure that its development is sustainable over the long-term and compatible with the interest of all its stakeholders. For this purpose, environmental, social and governance (**ESG**) matters are increasingly incorporated within its business model, operations and processes.

Sustainability Governance

The Group's sustainability governance encompasses the following bodies:

- *Board of Directors*, which defines the management and coordination policies regarding non-financial disclosure, the socio-environmental policies and approves annually the Group's non-financial statement and the associated materiality analysis. The Board of Directors is responsible for approving the Issuer's regulations, including the ESG ones, and the Code of Ethics. On the other hand, the CEO is delegated to approve the Issuer's guidelines, including those related to sustainability issues. The BoD also draws up remuneration and incentive policies (including ESG performance targets), to be submitted to the Shareholders' Meeting for approval, reviews them at least once a year and is responsible for their proper implementation;

- *Sustainability Committee,* which oversees the sustainability goals defined by the Bank in coordination with Internal Control and Risk Committee. It also supervises the activities connected with the drafting of the consolidated non-financial statement. The Committee was established in April 2023 and its activity was previously carried out by the Internal Control, Risk and Sustainability Committee now renamed the Internal Control and Risk Committee;

- *Environmental, Social and Governance Managerial Committee,* established by the Board of Directors, is chaired by the Chief Executive Officer and comprises the two Co-General Managers and several other managers of the Group among its permanent members. Its main tasks include evaluating the Group's positioning and coordinating all the activities required to achieve the strategic sustainability objectives;

- *The Sustainability Structure*, which assists the Environmental, Social and Governance Managerial Committee and oversees the definition of the relevant themes and the monitoring of sustainability indicators. It also evaluates the sustainability impacts stemming from the Group's initiatives and provides support to the corporate structures.

It prepares the consolidated non-financial statement and promotes sharing of the ESG culture within and outside the Group;

- *The ESG Ambassadors*, are ESG contact/focal point in each corporate department, responsible for spreading the sustainability culture, facilitating the implementation of ESG initiatives and the relationship with the Sustainability Structure.

ESG Strategy

The consideration of Environmental Social & Governance (ESG) aspects, in particular with regard to climate and environmental issues, represents an important area of focus in the strategy pursued by the Group, which is aware of being able to play a leading role in the action against climate change, through initiatives to reduce the direct impact, but even more so, given the role of Banco BPM, through loans, asset management and financial advisory services. ESG issues also include aspects linked to governance and social sustainability, meaning the ability to effectively govern sustainability planning, management and reporting and to integrate components linked to the social sphere such as, inter alia, human rights, gender equality and sustainable supply chain management.

In fact, sustainability is one of the pillars of the Group's 2021-2024 strategic plan, the pursuit of which requires the increasing integration and dissemination of ESG elements in the Group's operations, which has sometimes exceeded some ESG targets a year in advance of the Plan (as in the case of the issue of green and social bonds, the share of hiring young people under 30, ESG training hours for employees, total energy consumption and contribution to the community in terms of social sponsorships, donations, social and environmental initiatives, corporate volunteering and creation of financial and ESG awareness). In continuity with that already achieved, the 2023-2026 Strategic Plan was approved in 2023, which highlights further ESG integration in the Group's strategy, business and activities.

In the environmental sphere, in particular, the Group's ambition is to support customers in the transition process through consulting and its commercial offer, paving the way for a Net Zero strategy, strengthening the management and monitoring of climate and environmental risks and continuing to reduce the environmental impact of the Group's activities.

In particular, Banco BPM resolved to join the NZBA in March 2023 and, following careful analyses and evaluation, identified five priority areas for the communication of its targets 18 months after the original membership: Oil & Gas, Power generation, Cement, Automotive and Coal. In the new 2023-2026 Strategic Plan, the Group is committed to defining its targets in priority sectors by the third quarter of 2024 and in all other sectors by 2026.

In the social sphere, with reference to human capital, the Group aims to further improve its People Strategy, generational turnover, female empowerment and work-life balance. In addition, the Group intends to strengthen its leadership position as lender in the Third Sector and intends to establish itself as a top Community Bank with a strong impact on communities (with a focus on schools and educational issues).

With regard to governance aspects, on the other hand, the short and long-term incentive plans for managers and employees in line with ESG objectives were confirmed. In addition, the Group intends to support its digital transformation, with a strong focus on privacy and IT security. With regard to risk management, it intends to conduct further work on ESG risk measurement systems, in line with the evolution of external regulations and risk materiality.

Lastly, with regard to the definition of policies, the Group intends to work on sustainable finance policies, in the area of proprietary investments and funding, in order to channel financial resources towards sustainable companies and initiatives.

With a view to transversal ESG, the Group intends to improve the range of ESG products and strengthen ESG consulting also in the areas of wealth management and life bancassurance.

As also highlighted in the 2023-2026 Strategic Plan, Banco BPM launched a new ESG Action Plan at the end of 2023, in order to further strengthen sustainability governance, by rationalising the previous 7 workstreams into 4 interconnected ESG working groups (WS 1 - Risk Management; WS 2 - Credit; WS3 Finance and Wealth Management; WS 4 - Disclosure, community and inclusion), supported by the control, data governance and IT functions and supervised by the ESG Committee and the Chief Executive Officer. The key initiatives of the new ESG Action Plan include further consolidation of internal climate risk measurement, scenario analysis, stress tests and risk reporting, including their disclosure to the public; the improvement of the coverage of social and governance risks; the development of credit policies for the Net Zero strategy; the development of the ESG strategy in terms of finance and wealth management; the strengthening of ESG controls, processes and organisational policies, in line with the new directive on corporate sustainability reporting (CSRD), as specified in more detail below; internal and external strengthening of ESG and financial awareness.

Risk Management

In line with regulatory requirements, the Banco BPM Group has adopted a unitary system of risk measurement and control which will be run centrally by Banco BPM.

Within the Banco BPM Group, the Risk Appetite Framework (**RAF**) permits the Group to manage risk profiles in a comprehensive and integrated way. The RAF is deemed as a strategic tool to define in advance how much risk the Bank is willing to take pursuing its strategic objectives.

The framework of risk appetite is developed taking into account the business model adopted by Banco BPM and affects all its main internal processes, playing an important role in managing the Bank in a sound and prudent way.

The RAF sets out, in line with the business model and strategic plan, maximum permissible risks, the Bank's attitude to risk, risk thresholds and limits, risk management policies and the relevant processes required to define and implement them in accordance with the requirements of applicable prudential banking regulations.

The "Risk Management" division is responsible for these activities and has responsibility for overseeing the processes required to identify, quantify, monitor, manage and report the risks to which the Banco BPM Group is or may be exposed, under business as usual and stressed conditions, in line with the strategies and policies of the Banco BPM Group's corporate bodies.

In pursuance of the main objective of guaranteeing sound and prudent risk management, the Banco BPM Group's risk management strategy is based on organisational oversight, adequate risk qualification and management, asset coverage, a comprehensive system of values and business incentives and a suitably effective and efficient organisational model, with the aim of minimizing the impacts on risk profile also through a risk mitigation and transferring strategy,

protecting the Issuer's asset and financial base and preserving the reputation of the Banco BPM Group.

Inspection activities and proceedings conducted by the ECB, Bank of Italy and CONSOB on Banco BPM S.p.A.

As part of the ordinary course of its business, the Banco BPM Group is subject to a number of inspections and proceedings initiated by relevant supervisory authorities.

More specifically, within the Single Supervisory Mechanism, the Group is subject to the prudential supervision of the European Central Bank; with regard to specific matters, supervision is the direct responsibility of the Bank of Italy and CONSOB, as well as by IVASS with respect to its bancassurance operations.

For information on the ongoing inspection proceedings involving the Group, see the section entitled "*Inspections and proceedings of the Supervisory Authorities*" starting on page 37 of the 2023 Annual Financial Statements, which are incorporated by reference in this Prospectus.

Legal Proceedings of the Group

As of 31 December 2023, the provisions allocated against all existing legal and tax disputes, including cases associated with enforcement actions, totalled Euro 68.6 million.

The Group operates in a legal and regulatory context which exposes it to a wide variety of legal proceedings, relating, for example, to the conditions applied to its customers, to the nature and characteristics of the products and financial services it sells, to administrative irregularities, to clawback actions for bankruptcies, and to labour law disputes.

For additional information on the ongoing legal and tax proceedings involving the Group, see the section entitled "*10.6 Provisions for risks and charges - other provisions*" starting on page 362 of the 2023 Annual Financial Statements, which are incorporated by reference in this Prospectus.

Corporate Governance System

The corporate governance of the Issuer is based on a traditional corporate governance system with a Board of Directors and a Board of Statutory Auditors.

The Board of Directors is responsible for the strategic supervision and management of the Issuer and carries out all of the ordinary or extraordinary transactions that prove necessary, useful or in any way appropriate for achieving the Issuer's corporate purpose, with the assistance of the Intra-Board Committees and the Co-General Managers.

The Board of Statutory Auditors is appointed by the shareholders' meeting based on a list of nominees. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list (in accordance with Article 35 of the By-laws).

Board of Directors

Pursuant to Article 24.1 of the By-laws, the Board of Directors is responsible for the strategic supervision and management of the Issuer.

The Board of Directors is composed of at least 15 directors, of whom at least eight must meet the independence requirements set out under Article 20.1.6 of the By-laws, without prejudice to any further requirement provided under applicable law.

The composition of the Board of Directors ensures, in accordance with applicable laws, including regulations, in force, the gender balance.

The members of the Board of Directors must be suitable for the performance of their duties, in accordance with the provisions of the legislation in force at the time and the By-laws and, in particular, they must possess the requirements of professionalism, honorability and independence and comply with criteria of competence, correctness and commitment of time and the specific limits on the accumulation of positions prescribed by the legislation in force at the time and by the By-laws.

Without prejudice to the provisions of Article 20.1, persons who fall under the cases of ineligibility or cessation from office under Article 2383 of the Italian Civil Code or do not meet the honorability and professionalism requirements set out in the applicable laws, including applicable regulatory provisions, may not be appointed to the office of Board member, and if appointed shall fall from office.

Without prejudice to any other causes of incompatibility provided for by the legislation in force at the time, persons who are or become members of administrative bodies or employees of companies that perform or belong to groups that perform activities in competition with those of the Issuer or its Group may not be appointed to the office, and if appointed, they shall forfeit their assignment, unless they are central institutions of the category or companies in which the Issuer has direct or indirect holdings. The above prohibition does not apply when participation in administrative bodies in other banks is taken on behalf of organizations or trade associations of the banking system.

The Board of Directors is appointed in accordance with the list voting system, in accordance with the provisions of Article 20.4 and following of the By-laws.

The Board of Directors appoints amongst its members a Chief Executive Officer, entrusted with certain attributions and powers of the Board of Directors in accordance with Article 2381, paragraph 2, of the Italian Civil Code.

Within the Board of Directors the following committees are also established: the Nomination Committee (composed of three members), the Remunerations Committee (composed of three members), the Internal Control, Risk and Sustainability Committee (composed of five members) and the Related Parties Committee (composed of three members), each comprising members entrusted with the necessary functions and roles, in accordance with Supervisory Provisions and the Code of Corporate Governance of Borsa Italiana S.p.A.

The current members of the Board of Directors of Banco BPM were appointed at the ordinary shareholders' meeting held on 20 April 2023 and will remain in office until the ordinary shareholders' meeting to be called to approve the financial statements of Banco BPM as of and for the year ending 31 December 2025:

Name	**Principal Activities outside the Issuer**

Name	Principal Activities outside the Issuer	
Massimo Tononi (*) (Chairman)	Zambon S.p.A.	Director
Maurizio Comoli (*) (Deputy Chairman)	Herno S.p.A.	Standing Auditor
	Mirato S.p.A.	Chairman of the Board of Statutory Auditors
	Montura S.r.l.	Standing Auditor
	DEA Capital S.p.A.	Chairman of the Board of Statutory Auditors
	MIL MIL 76 S.p.A.	Chairman of the Board of Statutory Auditors
Giuseppe Castagna (Chief Executive Officer)	-	-
Mario Anolli (*) (Director)	Vera Vita S.p.A.	Director
Paolo Bordogna (*) (Director)	Bracca S.p.A.	Director
	Fonti Pineta S.p.A.	Director
Paola Ferretti (*) (Director)	-	-
Marina Mantelli (*) (Director)	Banco BPM Vita S.p.A.	Director
	Vera Vita S.p.A.	Director
Chiara Mio (*) (Director)	OVS S.p.A.	Director
	Sofidel S.p.A.	Director
	Aquafil S.p.A.	Chairman
Alberto Oliveti (*) (Director)	REAM SGR S.p.A.	Director
	Garofalo Health Care S.p.A.	Independent Director
Eugenio Rossetti (*) (Director)	Tinexta S.p.A.	Director
	Infocert S.p.A.	Director
	ABF Group S.A.S.	Director
	Ascertia Limited	Director
Manuela Soffientini (*) (Director)	Electrolux Appliance S.p.A.	Chairman and Managing Director
	Electrolux Italia S.p.A.	Chairman
	Brembo S.p.A.	Independent Director
Luigia Tauro (*) (Director)	Prevention For You S.r.l.	Sole Director
Mauro Paoloni (*) (Director)	Banca Akros S.p.A.	Chairman
	Oaklins Italy S.r.l.	Chairman

Name	Principal Activities outside the Issuer	
	Unione Fiduciaria S.p.A. Connect Ingegneria e Digitalizzazione	Director Sole Auditor
Nadine Farida Faruque (*) (Director)	Lottomatica S.p.A.	Independent Director
Paolo Boccardelli (*) (Director)	BDV Consulting S.r.l.	Chairman

(*) Independent member of the Board of Directors pursuant to article 20.1.6 of the by-laws and, consequently, pursuant to art. 148, paragraph 3 of the Financial Laws Consolidation Act, article 13 of Ministerial Decree 169/2020 and the Code of Corporate Governance of Borsa Italiana S.p.A.

The business address of each member of the Board of Directors is at the registered office of Banco BPM, specifically Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Board of Statutory Auditors

The Board of Statutory Auditors carries out the tasks and exercises the functions set out in the relevant laws and regulations and by the company By-laws.

The Board of Statutory Auditors is composed of 5 standing and 3 alternate auditors who remain in office for three financial years. The term of office of the present members of the Board of Statutory Auditors is scheduled to expire on the date of the Shareholders' Meeting convened to approve the financial statements relating to the last financial year of their office and they may be re-appointed. Statutory Auditors must meet the eligibility, independence, professional and integrity requirements established by the laws and regulations in force at any given time.

The composition of the Board of Statutory Auditors ensures pursuant to applicable law and regulations, in force the balance between the genders.

The Board of Statutory Auditors is appointed by the Shareholders' Meeting based on list voting. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

The limits on the number of management and control positions held by members of the Board of Statutory Auditors, as established by Consob regulations and any other applicable provisions, shall apply to the members of the Board of Statutory Auditors.

Moreover: (i) Statutory Auditors may not hold offices in bodies other than those with control functions in other Group companies or in companies in which the Issuer holds, even indirectly, a strategic shareholding (even if not belonging to the Group); and (ii) candidates who hold the office of Director, manager or officer in companies or entities directly or indirectly engaged in banking activities in competition with those of the Issuer or the relative Group may not be elected, and if elected, they shall forfeit their assignment, unless they are professional bodies.

The current members of the Board of Statutory Auditors were appointed at the ordinary shareholders' meeting held on 20 April 2023 and will remain in office until the ordinary

shareholders' meeting to be called to approve the financial statements of Banco BPM as of and for the year ending 31 December 2025:

Name	Principal Activities outside the Issuer	
Marcello Priori (*) (Chairman of the Board of Statutory Auditors)	Banca Aletti S.p.A.	Standing Auditor
	Banco BPM Vita S.p.A.	Chairman of the Board of Statutory Auditors
	Vera Vita S.p.A.	Chairman of the Board of Statutory Auditors
	Corob S.p.A.	Chairman
	F2A S.p.A.	Chairman
Maurizio Lauri (*) (Standing Auditor)	Officine CST S.p.A.	Chairman of the Board of Statutory Auditors
	ACEA S.p.A.	Chairman of the Board of Statutory Auditors
	Tirreno Power S.p.A.	Standing Auditor
Nadia Valenti (*) (Standing Auditor)	Banca Akros S.p.A.	Standing Auditor
Silvia Muzi (*) (Standing Auditor)	A2A S.p.A.	Chairman of the Board of Statutory Auditors
	Banca Aletti S.p.A.	Standing Auditor
	Banco BPM Invest SGR S.p.A.	Standing Auditor
	RAI WAY S.p.A.	Chairman of the Board of Statutory Auditors
	Esprinet S.p.A.	Chairman of the Board of Statutory Auditors
Elbano de Nuccio (*) (Standing Auditor)	Acquedotto Pugliese S.p.A.	Chairman of the Board of Statutory Auditors
	Cestaro & Rossi S.p.A.	Chairman of the Board of Statutory Auditors

Name	Principal Activities outside the Issuer	
Mario Tagliaferri (*) (Alternate Auditor)	Nerpharma S.r.l.	Chairman of the Board of Statutory Auditors
	Nerviano Medical Sciences S.r.l.	Chairman of the Board of Statutory Auditors
	Kilometro Rosso S.p.A.	Chairman of the Board of Statutory Auditors
	Alto Robotics S.p.A.	Chairman of the Board of Statutory Auditors
	Consorzio.it S.p.A.	Chairman of the Board of Statutory Auditors
	Crema Diesel S.p.A.	Chairman of the Board of Statutory Auditors
	Interpump Group S.p.A.	Standing Auditor
	Accelera S.r.l.	Standing Auditor
	Brembo S.p.A.	Standing Auditor
	Brembo SGL Carbon Ceramic Brakes S.p.A.	Standing Auditor
	Fine Food & Pharmaceutical N.T.M. S.p.A.	Standing Auditor
	Euro Cosmetic S.p.A.	Standing Auditor
	Marsilli S.p.A.	Standing Auditor
	Simis S.r.l.	Standing Auditor
	GOTHA Advisory S.p.A.	Director
Marina Scandurra (*)	ITA Trasporto Aereo S.p.A.	Chairman of the Board of Statutory Auditors

Name	Principal Activities outside the Issuer	
(Alternate Auditor)	ASM Terni S.p.A.	Chairman of the Board of Statutory Auditors
	Edison Next Government Napoli Scarl	Chairman of the Board of Statutory Auditors
	ACEA ATO 5 S.p.A.	Standing Auditor
	Daimier Truck Financial Service Italia S.p.A.	Standing Auditor
	RAI Pubblicità S.p.A.	Standing Auditor
	Transmed S.p.A.	Standing Auditor
	Tecnoservizi S.r.l.	Sole Auditor
	Mariconsult S.p.A.	Sole Auditor
	GEMSA Solar S.r.l.	Sole Auditor
	Ravenna 1 FTV S.r.l.	Sole Auditor
	Vivaro FTV	Sole Auditor
	FV4P S.r.l.	Sole Auditor
Sara Antonelli (*) (Alternate Auditor)	ENVENT Italia SIM S.p.A.	Chairman of the Board of Statutory Auditors
	Mondo TV S.p.A.	Standing Auditor
	ADR Mobility S.r.l.	Standing Auditor
	BIG S.B. S.p.A.	Standing Auditor
	Free To X S.r.l.	Standing Auditor
	Logista Retail Italia S.p.A.	Standing Auditor
	Tecne Gruppo Autostrade Per l'Italia S.p.A.	Standing Auditor
	Movyon Electronics S.r.l.	Standing Auditor

(*) Independent member of the Board of Statutory Auditors pursuant to articles 33.4 and 20.1.6 of the by-laws and, consequently, pursuant to art. 148, paragraph 3 of the Financial Laws Consolidation Act, article 13 of Ministerial Decree 169/2020 and the Code of Corporate Governance of Borsa Italiana S.p.A.

The business address of each member of the Board of Statutory Auditors is at the registered office of Banco BPM, at Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Directorate General

At its meeting of 20 December 2022, Banco BPM's Board of Directors defined the new structure of its General Management and top management. More specifically, the Chief Financial Officer (CFO) Co-General Management was established, the scope of the Chief Business Officer (CBO) Co-General Management was redefined, the new Corporate & Investment Banking (CIB) function was established and the position of Chief Risk Officer (CRO) was established.

Currently, the two Co-General Managers, appointed by the Board of Directors are Mr. Domenico De Angelis and Mr. Edoardo Maria Ginevra.

Name	Principal Activities outside the Issuer	
Domenico De Angelis (Co-General Manager and Chief Business Officer)	Banca Aletti S.p.A.	Director
Edoardo Maria Ginevra (Co-General Manager and Chief Financial Officer)	Agos Ducato S.p.A. Gardant Liberty Servicing S.p.A.	Director Chairman

The business address of the Co-General Managers is at the registered office of Banco BPM, specifically Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Conflicts of Interest

As at the date of this Prospectus, and to the best of the Issuer's knowledge, there are no conflicts of interest between their duties towards the Issuer and their private interests or other duties with respect to the members of the Board of Directors, the Board of Statutory Auditors and the Joint General Managers of Banco BPM.

The members of the Board of Directors, Board of Statutory Auditors and Joint General Managers of Banco BPM may hold offices, as part of their ordinary activities, in other companies of the Banco BPM Group as well as in companies that are not part of the Banco BPM Group, subject to the limitations set forth in art. 36 of Decree Law no. 201 of 6 December 2011 (converted with amendments by Law no. 214 of 22 December 2011) on the subject of "Protection of competition and personal cross-shareholdings" in the credit and financial markets", which introduced a prohibition on the assumption or exercise of offices between competing companies or groups of companies operating in the credit, insurance and financial markets (the **Interlocking Directorates Prohibition**). As such, they may have interests that conflict with the duties arising from their position in Banco BPM.

In accordance with the provisions of the *Corporate Governance* Code (in force as of 1 January 2021) issued by the *Corporate Governance* Committee, Banco BPM has adopted measures to ensure that transactions in which an exponent has an interest, either on his own behalf or on behalf of third parties, and those entered into with related parties, are carried out in a transparent manner and in compliance with criteria of substantive and procedural fairness.

In this regard, Banco BPM has approved the "*Rules for the Application of the Concept of Related Parties under IAS 24*" valid for Banco BPM itself and all Group companies. These application rules establish that within the Banco BPM Group, the definition of "*related party*" provided by IAS 24 is used and define the operational criteria for identifying related parties.

With reference to the provisions of the Bank of Italy for the preparation of the annual and consolidated financial statements of banks, issued by order of 22 December 2005, it should be noted that in a specific section of the Covered Bonds to the financial statements, both individual and consolidated, specific information is provided on transactions with Related Parties, as

defined by IAS 24, also with reference to the remuneration of executives with strategic responsibilities, loans and guarantees and other transactions.

In relation to the provisions of Article 2391-bis of the Italian Civil Code, Consob adopted, with resolution No. 17221 of 12 March 2010 and subsequent amendments and additions, a "*Regulation containing provisions on transactions with related parties*" (the **Consob Regulation**), which regulates the procedural regime and transparency rules to which transactions with Related Parties are subject. The regulations set out principles to which Italian companies with shares listed on Italian regulated markets must adhere in order to ensure the transparency and substantive and procedural correctness of transactions with Related Parties carried out directly or through subsidiaries.

In relation to the provisions of Article 53 of the Italian Consolidated Banking Act, the Bank of Italy regulated with Circular No. 285/2013 and subsequent amendments and additions, the regulations to be applied to transactions involving risk activities and conflicts of interest with related parties (the **Bank of Italy Regulations**).

The Issuer manages conflicts of interest in compliance with the provisions of Article 2391 of the Italian Civil Code, Article 2391-bis of the Italian Civil Code, Article 53 of the Consolidated Banking Act (TUB) and Article 136 of the Consolidated Banking Act (T.U.B.), Articles 148(3) and 150(1) of the T.U.F., Article 88 of Directive (EU) 2013/36 on loans to exponents and their related parties and the recommendations of the *Corporate Governance* Code, as well as in accordance with applicable legal and regulatory provisions (internal and external).

In this regard, pursuant to (i) Art. *2391-bis* of the Italian Civil Code;(ii) of the implementing provisions of the Consob Discipline ; (iii) Article 88 of Directive (EU) 2013/36; and (iv) the implementing provisions of the Bank of Italy Discipline, on 19 December 2023, Banco BPM approved the "*Regulation on the management of transactions with parties in conflict of interest*", bringing together in a single regulation all the legislative provisions - previously implemented by Banco BPM with autonomous regulations - on (i) the obligations of bank officers pursuant to Article 136 of the Consolidated Banking Act (ii) procedures for regulating transactions with related parties under Consob Procedure and (iii) procedures and policies for controls on risk activities and conflicts of interest with related parties under Bank of Italy Procedure.

Principal Shareholders

Pursuant to Article 120 of Italian Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Laws Consolidation Act**), shareholders who hold more than 3% of the share capital of a listed company are obliged to notify that company and the Italian regulator Consob of their holding.

As at the date of this Prospectus the significant shareholders of Banco BPM are the following (source Consob):

	% of Ordinary Shares
Crédit Agricole SA	9.178
Blackrock Inc.	5.238
Capital Research And Management Company	4.988
Fondazione Enasarco	3.010

Independent Auditors

PricewaterhouseCoopers S.p.A. has been appointed by the shareholders' meetings of Banco Popolare and BPM held on 15 October 2016 as independent auditor of the consolidated and non-consolidated annual financial statements of Banco BPM for the period established by the law in force and for the review of its interim consolidated financial statements, pursuant to Article 13, first paragraph and Article 17, first paragraph, of Legislative Decree No. 39/2010.

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the **MEF** (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is in Piazza Tre Torri, 2, 20145 Milan, Italy.

Recent Developments

Early Redemption of Additional Tier 1 Notes

On 30 May 2024, the Issuer announced its intention to exercise the call option on its Euro 300,000,000 Additional Tier 1 Notes (ISIN XS1984319316).

This instrument, placed to institutional investors on 18 June 2019, has an outstanding amount of Euro 300,000,000, including Euro 223,345,000 repurchased by the Issuer in November 2023.

According to the instrument terms and conditions, the earliest date for the exercise of the call is 18 June 2024. To this end, the Bank will proceed to the publication of a specific notice to the noteholders, in the manner and within the time limits indicated in the terms and conditions.

The Issuer has obtained the permission of the relevant authority to redeem the additional tier 1 notes in accordance with the applicable banking regulations.

Approval by the shareholders' meeting of Banco BPM of, inter alia, the 2023 Annual Financial Statements, the payment of a dividend of Euro 0.56 per share, the appointment of the Board of Directors and the Board of Statutory Auditors for the years 2023-2024-2025 and the purchase and disposal of own shares in service of the Banco BPM share-based payment plans

On 18 April 2024, the shareholders' meeting of Banco BPM approved, *inter alia*, (i) the 2023 financial statements of Banco BPM; and (ii) the allocation of Banco BPM's €1,447.3 million net income for the year ended on 31 December 2023 as follows:

- the allocation, to the establishment of a specific non-distributable reserve pursuant to Article 26 of Decree-Law No. 104 of 10 August 2023 (converted with amendments by Law No. 136 of 9 October 2023), of an amount equal to € 378.3 million, equal to two and a half times the extraordinary tax introduced by the above-mentioned provision;

- the allocation, as provided for in Article 39, paragraph 1, of the By-laws, of an amount of €83.9 million to the unavailable reserve pursuant to Article 6 of Legislative Decree No. 38/2005, relating to capital gains arising from the application of fair value;

- the distribution of a cash dividend per share of €0.56 before withholding taxes. More specifically, the proposal provides for the total distribution of € 848.5 million, the result of the product of the unit amount of € 0.56 for each of the 1,515,182,126 ordinary shares

(moreover, no distribution will be made to any treasury shares that the Bank may be holding on the record date indicated below). This distribution took place on 24 April 2024 (payment date) with an ex-dividend date of 22 April 2024 (ex date) and record date of 23 April 2024. The allocation was subject to the ordinary tax regime of dividend distribution;

- the allocation of an amount of €4 million to purposes of assistance, charity and public interest pursuant to Article 5.2 of the Articles of Association, under the terms and on the basis of the quotas established by Article 5.3 of the Articles of Association;

- the allocation of the remaining profit to the available extraordinary reserve in the amount of €132.6 million.

In this context, the shareholders' meeting of Banco BPM also approved the purchase of ordinary shares of Banco BPM, in one or more tranches, for a maximum total amount of €45 million to service the share-based compensation plans, starting from 18 April 2024 and until the earlier of: (i) the deadline of the 18th month from the authorising resolution of the shareholders' meeting; and (ii) the date of the shareholders meeting that will be called to approve the financial statements for the year ending 31 December 2024.

More specifically, the purpose of the authorisation is to implement the remuneration policy adopted by the Group.

REGULATORY SECTION

The Banco BPM Group is subject to extensive regulations and to the supervision (being for regulatory, information or inspection purposes, as the case may be) by the ECB, Bank of Italy, CONSOB and IVASS with respect to its bancassurance operations.

Capital and Liquidity Requirements

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

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

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

In Italy, implementation of CRD IV package implied amendments to Legislative Decree No. 385 of 1 September 1993 (the **Consolidated Banking Act**) and to the supervisory regulations on banks with circular No. 285 of 17 December 2013 (**Circular No. 285**), which came into force on 1 January 2014, setting out also additional local prudential rules addressed to Italian banks. The Government implemented the CRD IV with Legislative Decree No. 72 of 12 May 2015, which entered into force on 27 June 2015.

With respect to "Pillar 1" minimum capital requirements, Italian banks are currently required to comply with: (a) a CET1 capital ratio of 4.5%; (b) a Tier 1 capital ratio of 6.0%; and (c) a

Total Capital Ratio of 8.0%. The Basel III framework also provides for the creation of additional capital buffers in excess of the minimum requirements in order to provide banks with high quality capital resources to be used in times of market stress, to prevent any malfunctioning of the banking system and to avoid disruptions in the credit granting process, as well as to address the risks posed by systemically important banks at the global or domestic level. More specifically, the capital buffers applicable under the CRD IV (to be met with CET1 capital) are the following:

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

2. *counter-cyclical capital buffer*: set by the relevant competent authority between 0% and 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the Member State justify it), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive. The counter-cyclical capital buffer for 2024 was set by the Bank of Italy at 0% for domestic exposures. The counter-cyclical capital buffer for Banco BPM Group, due to non-domestic exposures, is at 0.04%, to be met entirely by CET 1 capital;

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

4. *capital buffers for other systemically important institutions at domestic level (**O-SIIs**)*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually, to compensate for the higher risk that such banks represent to the domestic financial system. On 25 November 2022 the Bank of Italy identified the Banco BPM Group as an O-SII. Banco BPM Group is required to respect a reserve equal to 0.50%, to be met entirely by CET 1 capital.

In addition, to the above-listed capital buffers, under Article 133 of the CRD IV, each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long-term non-cyclical systemic or macroprudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State.

On 26 April 2024, the Bank of Italy notified its decision to apply to all banks authorised to operate in Italy a capital buffer to meet systemic risks (the systemic risk buffer, or **SyRB**) in order to prevent and mitigate systemic risks which would otherwise not be covered by other macroprudential tools. The SyRB must consist of CET1 and will be equal to 1.0% of RWA of domestic exposures. The target rate of 1.0% will be achieved gradually by setting aside a capital buffer of 0.5% by 31 December 2024 and the remaining 0.5% by 30 June 2025.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140, 141 and 141(b) of CRD IV, as amended and integrated by the EU Banking Reform referred to below).

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

On 8 December 2023, Banco BPM announced that it had received from the ECB the notification of the prudential decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual SREP, conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. Therefore, in compliance with Article 16(2)(a) of Regulation (EU) No. 1024/2013 which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, the ECB determined a "Pillar 2 Requirement" of 2.52% for 2024. Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for the year 2024, a CET1 ratio of 9.08% on a consolidated basis. Furthermore, the additional requirements that Banco BPM must meet are as follows: (i) Tier 1 capital ratio of 11.00%; and (ii) Total Capital ratio of 13.56%. The Banco BPM Group satisfied these prudential capital ratios on a stated basis as at 31 December 2023, with a CET1 ratio of 14.16%, a Tier 1 ratio of 16.34% and a Total Capital ratio of 19.00%. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Banco BPM Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Banco BPM Group. For additional information on the capital requirements applicable to the Group, see "*Selected Consolidated Financial Data – Capital Requirements of the Group*".

Liquidity Coverage Ratio and Net Stable Funding Ratio

Further, the Basel III agreements provided for (i) the introduction of a Liquidity Coverage Ratio or (**LCR**), which expresses the ratio between the amount of available assets readily monetizable, in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress (as of 1 January 2018, the indicator is subject to a minimum regulatory requirement of 100 per cent) and (ii) a Net Stable Funding Ratio (**NSFR**), with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. The Commission Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015, specifies the calculation rules of the LCR, while the relevant provisions concerning NSFR are included in the amendments to the CRR comprised in the EU Banking Reform referred to below. With reference to the LCR, on 12 March 2020, the ECB, taking into account the economic effects of the COVID-19 pandemic, announced that banks were allowed to operate temporarily below the minimum LCR. On 17 December 2021, the ECB stated its intention not to extend beyond December 2021 the liquidity relief measure that allowed banks

to operate with a LCR below 100%. Therefore, as of 1 January 2022 all banks are required to maintain a LCR of above 100%.

The EU Banking Reform

In November 2016, the European Commission announced a comprehensive package of reforms to further strengthen the resilience of EU banks, resulting in the amendment of the CRD IV, the CRR, the BRRD and the SRM by the following:

- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (**CRD V**) amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;

- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (**CRR II**) amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements;

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 (**BRRD II**) amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC; and

- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 (**SRM II**) amending Regulation (EU) No. 806/2014 as regards the loss absorbing and recapitalisation capacity of credit institutions and investment firms,

published in the Official Journal of the European Union on 7 June 2019 and entered into force 20 days thereafter, on 27 June 2019 (the **EU Banking Reform**).

Many of the changes to the CRR by CRR II are directly applicable to the Banco BPM Group from that date. The EU Banking Reform includes, among other things, a binding 3% leverage ratio and a binding 100% NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, the binding 3% leverage ratio is added to the own funds requirements set forth in Article 92(1) of the CRR. The leverage ratio requirement is a parallel requirement to the risk-based own funds requirements, and will apply - from June 2021 - to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Institutions should be able to use any Tier 1 capital that they use to meet their leverage-related requirements to also meet their risk-based own funds requirements, including the combined buffer requirement.

In addition, under the new Article 92(a) to the CRR, each institution that is a G-SII is expected to be required to comply with, commencing 1 January 2022, a leverage ratio buffer requirement (equal to 50% of the G-SII buffer referred to above) above the minimum leverage ratio. Failure by a G-SII to meet this leverage ratio buffer requirement will result in application of the

restrictions on distribution provisions by reference to the Leverage ratio related Maximum Distributable Amount (**L-MDA**). The EU Banking Reform furthermore amends Article 131(5) of the CRD IV by increasing, based on a decision of the relevant supervisor, the O-SII buffer to up to 3% of the total risk exposure amount, and requires the Commission to investigate whether a leverage ratio buffer is appropriate also for O-SII. The 3% leverage ratio, the G-SII leverage ratio buffer requirement and the NSFR introduced by the EU Banking Reform are consistent with the corresponding requirements agreed upon at international level by the Basel Committee.

From time to time, in line with the amendments made to the EU legislative framework, the Consolidated Banking Act and Circular No. 285 have been updated to reflect the relevant changes to the provisions of the CRR.

Bank Recovery and Resolution Directive

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

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

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

The BRRD also provides for a Member State as a last resort, after having assessed and made use of the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirement of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank

contributions at a national level is being established and Regulation (EU) No. 806/2014 establishes the modalities for the use of the fund and the general criteria to determine contributions to the fund.

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

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

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

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

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 of 16 November 2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015, and amended and supplemented by Legislative Decree No. 183 of 8 November 2021, implementing BRRD II provisions in Italy.

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

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

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

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

Pursuant to Article 44 (2) of the BRRD, as implemented by Article 49 of Legislative Decree No. 180 of 16 November 2015, resolution authorities shall not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments), that exceeds the value of the assets, pledges, lien or collateral against which it is secured. In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-In Tool, and (ii) the BRRD provides, in Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of the Covered Bonds may be subject to write-down or conversion upon application of the General Bail-In Tool while other *pari passu* ranking liabilities are partially or fully excluded from such application of the General Bail-In Tool. The safeguard set out in Article 75 of the BRRD would not provide any protection since Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings rather than to address any such possible unequal treatment.

Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to the Deposit Guarantee Schemes Directive have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181 of 16 November 2015 has amended the bail-in creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which

rank pari passu with any unsecured liability owed to the Bondholders under the national insolvency regime currently in force in Italy, will rank higher than such unsecured liabilities in normal insolvency proceedings. Therefore, on application of the General Bail-In Tool, such creditors will be written-down/converted into equity capital instruments only after such unsecured liabilities. The safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

Legislative Decree No. 181 of 16 November 2015 has also introduced strict limitations on the exercise of the statutory rights of set-off which are normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

Therefore under the BRRD the liabilities in relation to the Covered Bonds that exceed the value of the Cover Pool may be subject to write-down or conversion into equity capital instruments or any application of the General Bail-In Tool, which may result in such holders losing some or all of their investment.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree No. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 paragraph 3, let. A), which came into force on 1 July 2018. Amongst other things, the Decree amends the Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

In addition to the capital requirements under the CRD IV Package, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the **MREL**). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution.

The BRRD, as amended by the EU Banking Reform, introduces a minimum harmonised MREL requirement (also referred to as a **Pillar 1 MREL requirement**) applicable to G-SIIs, to be satisfied only with own funds and eligible liabilities subordinated to excluded liabilities (even if, under specific conditions, part of the requirement may be satisfied with non subordinated liabilities). In addition, all EU banks will be required to comply with a bank specific (in terms of calibration) MREL requirement (a **Pillar 2 MREL requirement**), which can be satisfied also through the use of non subordinated liabilities, for the amount exceeding a minimum subordination level equal to 8% of TLOF (total liabilities and own funds) and applicable to G-SIBs and "Top Tier" banks (banks with assets exceeding Euro 100 billion) only. However, if a bank is identified among the "riskiest" EU institutions, the Resolution Authority can decide to discretionally raise the applicable subordination requirement beyond the minimum level, in any case subject to the resolution authority assessment and determination.

The Financial Stability Board published the "Total Loss-Absorbing Capacity (TLAC) Term Sheet" on 9 November 2015, applicable to G-SIBs (referred to as G-SIIs in the European Union framework). The EU Banking Reform has introduced amendments aimed at implementing and integrating the TLAC requirements into the general MREL rules, thereby avoiding duplication from the application of two parallel requirements and ensuring that both the TLAC and MREL requirements are met with largely similar instruments. The resolution authorities will also be able, on the basis of bank-specific assessments, to require that G-SIIs comply with an institution-specific supplementary MREL requirement (a 'Pillar 2' add-on requirement). The TLAC requirement is at the moment applied only to the G-SIBs and consequently not applicable to the Banco BPM Group.

Under the BRRD, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain distributions in accordance with the restrictions on distributions provisions by reference to the Maximum Distributable Amount. The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities.

Financial conglomerates

Legislative Decree No. 142 of 30 May 2005 (implementing Directive 2002/87/EC) provides for additional supervision ("supplementary supervision") of banks, insurance companies and investment firms that are part of a "financial conglomerate".

The supplementary supervision rules seek to safeguard the stability of financial conglomerates as well as the stability of the single entities within financial conglomerates, regardless of whether they are regulated entities. These rules seek to prevent destabilizing effects on the financial system that can arise from problems with individual entities within a financial conglomerate.

On 16 November 2005, the Bank of Italy entered into an agreement with IVASS to regulate, in accordance with Legislative Decree No. 142/2005, the capital adequacy requirements of financial conglomerates. In accordance with such agreement, the Bank of Italy is primarily responsible for supervising financial conglomerates (like our Group) that have a bank as the parent company.

On 16 November 2011 the EU adopted Directive 2011/89/EU which amends Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC, regarding the supplementary supervision of financial entities in a financial conglomerate. The Directive, *inter alia*, (i) includes asset management companies in the threshold tests for identifying a financial conglomerate, (ii) allows for both sector-specific (banking and insurance) supervision and supplementary supervision of a financial conglomerate's parent entity, (iii) introduces a waiver for smaller groups if the relevant supervisor deems the group's risks to be negligible and (iv) allows for risk-based assessments, in addition to existing definitions relating to size, in identifying financial conglomerates. Directive 2011/89/EU has been implemented by Legislative Decree No. 53 of March 4, 2014.

The Legislative Decree No. 53/2014 amended the definition of "financial conglomerate" provided under the Legislative Decree No. 142/2005. In line with the definition set out under the relevant EU framework, the definition of financial conglomerate set forth in Legislative

Decree No. 142/2005 includes any group or subgroup, which meets the following conditions: (a) there is a regulated entity at the head of the group or subgroup: (i) such entity is a parent undertaking of an entity in the financial sector, an entity which holds a participation in an entity in the financial sector, or an entity linked with an entity in the financial sector by a relationship resulting in such entities being subject to the direction of the same entity by virtue of agreements or by-laws' provisions or where the majority of the members of the management, supervisory and control bodies of such entities are the same; (ii) at least one of the entities in the group or subgroup is within the insurance sector and at least one is within the banking or investment services sector; and (iii) the consolidated or aggregated activities of the entities in the group or subgroup within the insurance sector and of the entities within the banking and investment services sector are both significant; or (b) where there is no regulated entity at the head of the group or subgroup: (i) the group's or subgroup's activities occur mainly in the financial sector; (ii) at least one of the entities in the group or subgroup is within the insurance sector and at least one is within the banking or investment services sector; and (iii) the consolidated or aggregated activities of the entities in the group or subgroup within the insurance sector and of the entities within the banking and investment services sector are both significant.

Regulatory measures on NPLs

Article 178 of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) specifies the definition of default of an obligor. In this regard, Article 178 of the CRR mandates the EBA to detail guidelines on the application of the definition of "default". Consequently the "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013" (the **Guidelines** or **New DoD**) ruled all provisions related to the application of the definition of default of an obligor. The EBA has identified different practices used by institutions as regards to the definition of default and provided detailed clarifications on the application of the definition of default, which includes aspects such as the days past due criterion, indications of unlikeliness to pay, conditions for a return to non-defaulted status, application of the default definition in a banking group and specific aspects related to particular exposures (e.g., public exposures, factoring exposures).

The Bank of Italy subsequently incorporated the guidelines into national regulatory provisions framework (in particular Circular no. 272 of 30 July 2008 and subsequent amendments – "*Matrice dei Conti*"), applicable from 1 of January 2021, as well as having issued some clarifications on the matter.

Moreover, on 14 March 2018, the European Commission published certain legislative proposals aimed at addressing the issues connected with the existing stock of NPLs held by European banks – namely (i) a proposal for a Regulation amending the CRR as regards minimum loss coverage for NPLs, which was later enacted through Regulation (EU) 2019/630 of 17 April 2019, as amended by Regulation (EU) 2020/873 (the **Prudential Backstop Regulation**) (also known as calendar provisioning); (ii) a proposal for a directive on credit servicers, credit purchasers and the recovery of collateral; and (iii) a blueprint on asset management companies, accompanying the EC's "Second Progress Report" on NPLs.

In parallel with the above proposals, on 15 March 2018 the ECB issued an addendum, "Addendum to the Guidance on non-performing loans" (the **ECB Addendum**) to its "Guidance to banks on NPLs of March 2017" (the **NPLs Guidance**). The ECB Addendum details the ECB supervisory expectations as regards the minimum levels of NPLs provisioning by

significant credit institutions. These Guidelines (based on a Pillar 2 approach, to be incorporated into SREP decisions) are to be applied to all new non performing exposures (i.e. Past Due, Unlikely to Pay, Bad Loans) classified as such since 1 April 2018. The ECB Addendum sets out an expectation that, as of 1 April 2018, new unsecured NPLs must be fully covered after a period of two years from the date of their classification as NPLs. For example, the supervisor would expect a loan that is classified as an unsecured NPL on 1 May 2018 to be fully provisioned for by May 2020. For new secured NPLs, a certain level of provisioning is expected after three years of classification as an NPL, or "NPL vintage, which then increases over time until year seven. In this case, if a secured loan was classified as an NPL on 1 May 2018, the supervisor would expect these NPLs to be at least 40 per cent. provisioned for by May 2021, and totally provisioned by May 2025. The potential gap between the coverage envisaged by the new rules and the provisions applied at the reference date can be addressed through a Core Tier 1 deduction or an increase of provisions.

The Prudential Backstop Regulation imposes a "Pillar 1" minimum regulatory backstop for the provisioning of NPLs by EU banks. The minimum provisioning level is calculated by multiplying the value of the relevant NPLs within the portfolio by the factors indicated in the Prudential Backstop Regulation, which differ depending on (i) the number of years after the date on which the exposure was classified as non-performing, and (ii) whether the NPL is classified as "secured" or "unsecured" exposure (and if secured, whether the exposure is secured by immovable collateral or residential loan guaranteed by an eligible protection provider or is secured by other funded or unfunded credit protection) in accordance with the criteria set forth in the Prudential Backstop Regulation. In particular, under the Prudential Backstop Regulation the Issuer is required to apply a minimum provisioning level for NPLs equal to 100% after ten years (in case of exposures secured by immovable property or residential loan) eight years (in case of exposures secured by other funded or unfunded credit protection) or four years (in case of unsecured exposures) from the date when the exposure was classified as non-performing. If the aggregate amount of provisions and other eligible items is lower than such minimum provisioning level, any shortfall (so-called "insufficient coverage amount") shall be fully deducted from CET1 items.

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

On 22 August 2019 the ECB published a revised version of its supervisory expectations for prudential provisioning for NPLs, as set forth in the ECB Addendum, with a view to align such expectations to the regulatory approach followed under the Prudential Backstop Regulation. The main changes introduced by the ECB relate to: (i) the scope of the supervisory expectations for new NPLs, which is now limited to NPLs arising from loans originated before 26 April 2019 (which are not subject to the Pillar 1 treatment provided under the Prudential Backstop Regulation); and (ii) the time frames for the relevant prudential provisioning, the progressive path to full implementation and the split of secured exposures and other guaranteed exposures, which have been aligned to the Prudential Backstop Regulation.

In the context of the actions taken by the supervisory authorities to mitigate the effect of the COVID-19 pandemic on the EU banks' capital requirements, the European Central Bank and the European Banking Authority have issued statements in March 2020 aimed at providing clarity on aspects related to (i) the classification of loans in default, (ii) the identification of forborne exposures and (iii) the accounting treatment, with the ultimate goal to support government actions addressing the adverse systemic economic impact of the COVID-19 pandemic, which have mostly taken the form of general moratoria and payment holidays. In this respect, in April 2020 the European Commission has also published (i) a proposal to amend the CRR in order to mitigate the negative effects of the COVID-19 pandemic by adapting the timeline of the application of international accounting standards on EU banks' capital, treating more favourably public guarantees granted during this crisis, postponing the date of application of the leverage ratio buffer and excluding certain exposures from the calculation of the leverage ratio; and (ii) an interpretative communication confirming the flexibility available to EU banks with respect to the classification of loans in connection with public and private moratoria.

Also at a country level, the Italian Government has acted to introduce two reforms that might have impact on the forthcoming NPLs market. In particular:

- the reform of the Italian Bankruptcy Law, published on February 2019, introduced new requirements for business in order to timely identify and prevent financial crisis, with a specific timeline;

- the Decree for Growth (*Decreto Crescita*), published on April 2019, introduced new measures that could be easily applicable to still active borrowers, such as public guarantees on lending to SMEs, public aid on new financing and new securitization rules.

Payment Services Directive

On 13 November 2007, the European Parliament and the Council adopted Directive 2007/64/EC (**PSD1**) to harmonize the payment services market and remove legal barriers for payments throughout the EU. PSD1 has, among others, introduced a licensing system for market access by payment service providers and regulated the relationship between payment service providers and consumers. PSD1 was intended to improve competition by opening up payment markets to new entrants, thereby encouraging greater efficiency and cost reduction, and, at the same time, to support the creation of a Single European Market for Retail Payment Services (**SEPA**).

On 25 November 2015, PSD1 was repealed by Directive (EU) No 2015/2366 of the European Parliament and of the Council (**PSD2**), in light of the progress made in the integration of the payments market in the EU and the considerable technical innovations that have occurred since the adoption of PSD1. PSD2 seeks to address the evolution of the payments market and respond to certain shortcomings of the previous regime, including, in particular: (i) the uneven application of the relevant rules in the different EU Member States; (ii) the existence of numerous exemptions from the scope of PSD1; and (iii) the regulatory vacuum in which many operators in the sector have operated under PSD1.

To this end, PSD2 has: (i) broadened the scope of application of the provisions on payment services; (ii) introduced new payment services to cover services previously seen as merely complementary, such as the provision of payment orders and account information; and (iii) strengthened safeguards against operational and security risks related to payment services.

The framework outlined by PSD2 supplemented by the implementing regulations of the European Commission that are directly applicable to recipients and by the guidelines established by the EBA (**EBA**).

Within the framework set out in PSD2, it is envisaged, among others, that:

- unless the payment service user has acted fraudulently, in the case of an unauthorized payment transaction resulting from the use or misappropriation of a lost or stolen payment instrument, the payment service provider[2] shall reimburse the amount of the unauthorized payment transaction that was executed after the loss, theft or misappropriation was reported to it. Notwithstanding the above, the payer may be obliged to bear the loss relating to unauthorized payment transactions resulting from the use of a lost or stolen payment instrument or from its misappropriation up to a maximum of €50,000; and

- in relation to information security, payment service providers are called upon to establish a framework of mitigation measures and appropriate control mechanisms to manage operational and security risks, relating to the payment services they provide, establish and manage effective incident management procedures, including for the identification and classification of serious operational and security incidents. Payment service providers are also required to initiate a process of archiving, monitoring and controlling access to sensitive payment data and are required to implement Strong Customer Authentication (SCA) when a payment service user accesses his payment account online, or makes an online payment, or carries out any action which may imply a risk of payment fraud or other abuse.

In Italy, the fundamental principles governing the provision of payment services are contained in Legislative Decree no. 11 of January 27, 2010 (**Decree on Payment Service**s), which implemented PSD1 and the Consolidated Banking Act. Legislative Decree no. 218 of 15 December 2017 (**Decree no. 218**) implemented PSD2 in Italy, making significant changes to both the Consolidated Banking Act and the Decree on Payment Services. SCA is regulated in Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication, and common and secure open standards of communication.

Anti-money laundering

The Banco BPM Group is subject to the provisions of law and regulations aimed at preventing money laundering and terrorist financing. These provisions are mainly contained in:

- Legislative Decree no. 231/07, as amended by:

    - Legislative Decree no. 90 of 25 May 2017, which amended Legislative Decree no. 231 of 21 November 2007 (**Decree 231/2007**), implementing Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, and amending Directives 2005/60/EC and 2006/70/EC and implementing Regulation (EU) no. 2015/847 on information accompanying transfers of funds that repeals Regulation (EC) no. 1781/2006; and

[2] Banks fall within the definition of "*payment services providers*".

- Legislative Decree no. 125 of 4 October 2019, which amended, inter alia, Legislative Decree no. 90 of 25 May 2017, implementing Directive (EU) 2018/843, amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and that amends Directives 2009/138/EC and 2013/36/EU;

- the provisions adopted by the Bank of Italy, pursuant to Article 7, paragraph 1, letter a) of Decree 231/2007:

  - the provisions adopted on 26 March 2019, regarding the organisation, procedures and internal controls aimed at preventing the use of intermediaries for the purposes of money laundering and terrorist financing; and

  - the provisions adopted on 30 July 2019, regarding the adequate verification of clients and for the fight against money laundering and terrorist financing;

- the provisions adopted by the Bank of Italy on 24 March 2020, pursuant to Articles 31, 32 and 34 paragraph 3, regarding the storage and making available of documents, data and information for the fight against money laundering and terrorist financing; and

- the provision regarding instructions on objective communications, adopted by the UIF (the Italian Financial Intelligence Unit) on 28 March 2019, pursuant to Article 47 of Decree 231/2007.

The abovementioned regulatory framework determines the requirement for the Issuer and the Banco BPM Group to, among other things, comply with the obligations on: (i) the adequate verification of customers; (ii) retention of data; (iii) reporting of suspicious transactions to the Financial Intelligence Unit set up at the Bank of Italy; (iv) adequate training of personnel; (v) sending aggregate anti-money laundering reports; and (vi) the implementation of provisions on the limitation of the use of cash and bearer securities; and (vii) carrying out a periodical assessment of the group's exposure to the risk of money laundering and terrorist financing.

MiFID II – Directive 2014/65/EU on markets in financial instruments

In relation to the investment services carried out by the Issuer, the latter is subject to EU Directive 2014/65/EU on markets in financial instruments (**MiFID II**) and Regulation EU 600/2014 (**MIFIR**). It is a cornerstone of the EU's regulation of financial markets seeking to improve their competitiveness by creating a single market for investment services and activities and to ensure a high degree of harmonised protection for investors in financial instruments. MiFID II sets out:

- conduct of business and organisational requirements;

- obligation to provide information;

- regulatory reporting;

- trade transparency obligation;

- record keeping obligation.

Covered Bond Legislative Package

On 18 December 2019, Directive (EU) 2019/2162 and Regulation (EU) 2019/2160 amending the CRR have been published in the Official Journal of the European Union. They will apply from 8 July 2022.

Directive (EU) 2019/2162 (the **CB Directive**) lays down rules on the issuance requirements, structural features, public supervision and publication obligations for covered bonds. Compared with the UCITS, Directive (EU) 2019/2162 provides for a number of more complex structural requirements, such as the dual recourse and the bankruptcy remoteness tools. The Directive at hand also establishes specific requirements for a liquidity reserve and introduces the possibility of joint funding and intragroup pooled covered bond structures in order to facilitate the issuance of covered bonds by small credit institutions. Moreover, the Directive provides the authorities of the Member States with the task of monitoring compliance of covered bond issuances with the abovementioned requirements and regulates the conditions for obtaining the authorisation to carry out the activity of issuance of covered bonds in the context of a covered bond programme.

Regulation (EU) 2019/2160 introduces some amendments to article 129 of the CRR, providing for additional requirements for covered bonds to be eligible for the relevant preferential treatment. In particular, the Regulation introduces a rule allowing exposures to credit institutions rated in credit quality step 2 up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution, without the need to consult the EBA. The Regulation also requires a minimum level of overcollateralization in order to mitigate the most relevant risks arising in the case of the issuer's insolvency or resolution.

Moreover, several additional changes to the LCR Delegated Regulation are proposed in order to align the LCR Delegated Regulation with article 129 of the CRR, as amended by Regulation (EU) 2019/2160. The consultation remained opened until 24 November 2020.

On 8 May 2021, the European Delegation Law 2019 has entered into force. It delegated the Italian Government to implement – *inter alia* – Directive (EU) 2019/2162. According to the European Delegation Law 2019:

- the Bank of Italy is the competent authority for the supervision on covered bonds;
- the implementing provisions shall provide for the exercise of the option granted by Article 17 of Directive (EU) 2019/2162, allowing for the issue of covered bonds with extendable maturity structures; and
- the implementing provisions shall grant the Bank of Italy with the power to exercise the option to set for covered bonds a minimum level of overcollateralization lower than the thresholds set out under Article 1 of Regulation (EU) 2019/2162 (i.e. 2% or 5% depending on the assets included in the cover pool).

The CB Directive was transposed into the Italian legal framework by means of Legislative Decree 5 November 2021, n. 190 which modifies Law 30 April 1999, n. 130 which was published in the Official Gazzette No. 285 of 30 November 2021 (the **Decree 190/2021**) and entered into force on 1 December 2021. In this respect, it is worth mentioning that the national legislator chose to exercise the following options provided by Directive (EU) 2019/2162: (i)

the possibility not to apply the liquidity requirement of the cover pool limited to the period covered by the liquidity requirement provided for in Delegated Regulation (EU) 2015/61; (ii) the possibility of allowing the issuance of covered bonds with extendable maturity structures; (iii) the possibility of allowing the calculation of the liquidity requirement of the cover pool in case of programmes with extendable maturity by taking as a reference the extended final maturity date for the payment of principal, as opposed to the scheduled maturity date.

Moreover, the Decree 190/2021 designates the Bank of Italy as the competent authority for the public supervision of the covered bonds, which is entrusted with the issuing of the implementing regulations by 8 July 2022. Bank of Italy issued such implementing regulations on 30 March 2023 by publishing an amendment to Section 3, paragraph 3 of the Bank of Italy Regulations.

CREDIT AND COLLECTION POLICY

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Credit policies

Mortgage Loans are entered into by the Originator as *mutui fondiari* and *mutui ordinari ipotecari*.

The Borrowers pay either a monthly, quarterly and semi-annually loan instalment by direct debit from their accounts, or by cash payment or by MAV.

The decision to enter into and advance a Mortgage Loan is taken at the appropriate decision-making level in the Originator in according with limits defined in the Credit Policy

The analysis and credit-decision process is supported by a preliminary investigation of the loan which takes into account multiple risk factors and fully covers the grant from the "*request*" to the fund "*allocation*". The main criteria adopted are as follows:

1. The credit worthiness of each single debtor is ascertained through an internal rating process to be attributed to the debtor, automatically updated from time to time upon occurrence of certain circumstances.

2. In addition to the internal rating process, in determining the credit worthiness of a debtor, evaluations are being made as to the past performance of such debtor and any of its related entities and/or guarantors.

3. Loan to value ratios do not exceed 80%.

4. Mortgage over real estate properties (which is first ranking in an economic sense) is 150% than the loan amount.

The main documents the customer has to provide for a loan procedure are:

1. Certificates from the registry office regarding the applicant and the other parties involved in the signature of the loan agreement;

2. income documentation and any other documentation proving the ability to repay;

3. technical documentation for the assets offered as guarantee (e.g. title deeds and land registry certificates); and

4. a Notary's report.

The same documentation described in points 1 and 2 is requested also for the guarantors.

Moreover, apart from the above documentation, additional documentation shall be requested, depending on the type of debtor:

- if the applicant is the owner of an individual firm or is an independent professional:

    a) registration in the Professional Register and/or Chamber of Commerce;

    b) accounts and tax documentation linked to the business in question;

c) useful information on the business in question (e.g. sector performance, corporate development programme, etc.).

- if the applicant is a company:

  a) articles of Association and last available copy of these for the company;

  b) updated Chamber of Commerce certificate, from which can be proved, for the company and its directors, the non-existence of bankruptcy proceedings and the validity of the appointments;

  c) statement on the assignment of proxy powers (if necessary);

  d) balance sheet with income statement for the current financial period;

  e) financial statements for the last two financial periods (if belonging to a group with consolidated financial statements and financial statements for the most important companies in the group);

  f) updated report on bank guarantees and how they are used.

The approval level is automatically defined by PEF procedure, according to the managerial Risk Weighted Assets (RWA) metric[3].

After the approval, the preparation of the documentation and the conclusion of the Mortgage Loans are delegated to the Back Offices Department (BO) which:

- enter the transaction in the internal mortgage procedure;
- appoint a surveyor to evaluate the property;
- verify that the property insurance is in favour of the Originator;
- prepare the minutes of the mortgage loan;
- check property documentation received by the notary; and
- upon successful completion of the previous activity checks, update the mortgage loan status to “payable”;
- upon request of the agency send the minutes to the notary for the mortgage contract signature.

Once the bank and the customer stipuled the contract and the notary registered the mortgage, relevant documents are sent to the Back Office that stores them.

The Back Office Department, based on the necessary feasibility analyses and in compliance with the applicable credit/authorization decision, is also responsible for:

[3] The metric measures risk for deliberative purposed and is developed with a methodology consistent with the provisions of EU Regulation No. 575/2013.

- on economic conditions: verifying the coherence between the single operation and the internal credit decision and the internal regulations and verifying the mortgage validity;

- issuance of specific certifications requested by the borrowers, in particular the certifications concerning the amount of interest to be paid/expenses sustained;

- pre-payment of the Mortgage Loans, which involves the reduction to nil of the outstanding balance of the loan and is often accompanied by a request for the release of the Mortgage;

- preparation of amendments and other acts ancillary to the Mortgage Loans Agreements, such as:

    • the extension of the Mortgage Loan, following a restructuring of the transaction or an extension of payments;

    • the taking over (accollo) of the loan, customarily requested by the purchaser of the Real Estate Asset, as a method to pay part of the purchase price;

    • the reduction/cancellation of the Mortgage, or the partial or total release of the Mortgage; and

    • any request made to the insurance companies for the release of the vincolo on the insurance policies.

Collection policies

The monitoring of credit risk is carried out also by mean of processes for monitoring and managing performing loans as well as loans included in the watch list and non-performing loans.

For each of these processes, Banco BPM Group uses IT procedures in support of the activities of the position Managers.

The Collection Policies described below are consistent with the credit status of each borrower position.

Monitoring and managing loans classified as performing

The Customer Relationship Manager, who is the responsible for managing the relationship with customers included in his portfolio, plays a crucial role in the monitoring process.

The Customer Relationship Manager is responsible for handling relationships with customers as well as acting in order to maintain and improve credit quality by closely monitoring the evolution of relationships.

The process of monitoring and managing performing loans consists of a set of activities carried out by the Customer Relationship Manager and by other internal departments which are responsible for credit monitoring and controls in order to guarantee that the credit relationship with the counterparty remains in performing status and to promptly detect any signs of delay and/or irregularity.

In particular, with reference to mortgages, the systematic examination of the evidences reported by the automatic performance assessment tools and the monitoring of compliance with the commitments allow the rapid activation of the Customer Relationship Manager for a concrete solution of the problems detected, facilitating the timely recruitment of measures to maintain the relationship performing (alias "*in bonis*").

Referring to the latter, an IT system of "credit warnings" is put in place, within which, in the section "detection of overruns", all the daily overrides on credit lines and overdue instalments are reported every day. In these situations, the Relationship Manager contacts the customer to verify the reasons for the failure or partial payment and, consequently, to propose the most appropriate actions (accept the delay because the payment will take place in a short period of time, propose a renegotiation to decrease the instalments amount, propose a suspension of payments for a specific period of time, etc.). A specific IT system called "ELISE" (), dedicated to the management of loans and used both by the Back Office department and by the entire Branch network, sends communications to debtors on regular basis, at each unpaid instalment at due date. The automatic alerts are sent on the last working day of the month in which the instalment is due when the due date is at least three working days before the end of the month. Otherwise, the alerts are sent on the last working day of the following month.

For performing positions ("*in bonis*"), the Bank grants a few days within which the payment can be made without any consequences. For all payments made in this period, default interests are not applied and the value date of the payment of the instalment is the original due date.

After that date, default interests contractually agreed start to be applied up to the maximum limit set by provisions on usury. The "usurious" interest rate is defined by a decree of the

Ministry of Economy and Finance on quarterly basis (the current legislation envisages that the verification of non-usury of default rates is carried out, as for the corresponding interest payments, at the agreement and not at the payment).

Irrespectively of the Relationship Manager's behavior, the IT system automatically intercepts (i.e. in a way which is independent from elements of discretion of the Relationship Manager) the positions that show the first signals of anomaly. Thus, the IT system will insert these positions in a specific "watch list".

Monitoring and managing "watch list loans"

For all the positions classified as performing, where anomalies are detected through trend risk indicators - the valuation is expressed by the counterparty's internal rating and other particularly serious events concerning the credit quality - are included in a "watch list" properly supported by an IT procedure.

The "Monitoring of performing credit" process consists of a set of activities carried out by the Relationship Manager along with other people responsible for credit monitoring and control; these activities are aimed at promptly identify any signals of tensions and/or irregularity as well as to carry out any interventions required to restore the position to a performing status or, when this is not possible, to take the necessary actions to protect the Bank's credit claims.

According to the process, the Relationship Manager maintains the responsibility to manage the customers belonging to his own portfolio with the aim to put in place the necessary management actions to bring the relationship back to regular conditions. Assessment objectivity is ensured through a system of rules aimed at guaranteeing, both during the internal classification and during the identification of the related management actions, the put into place of adequate mechanisms of organizational interaction between the roles responsible for the relationship management (Relationship Manager) and the credit quality control roles ("*Monitoring and default prevention*" structure and "*Credit governance*" of the parent company).

The phases of the abovementioned process, with the support of the PMG IT procedure, involve:

- on daily basis, the automatic identification of positions with irregularities that requires the adoption of dedicated management interventions;

- the Relationship Manager's analysis in order to properly evaluate the risk, considering any participation in Groups of linked borrowers as well as relationships in place with other companies within the Banking Group;

- analysis of consistency of the calculated rating and assessment of the need to activate a potential rating override process;

- classification, within the process, in an "management category" consistent with the type of irregularity found and with the timing of recovery of regular operations;

- the definition of behavior and actions, within the pre-determined period of time, whose outcome is subject to measurement;

- the maintenance of the performing classification and the automatic exclusion from the watch list either when the interception causes are no longer verified or through a specific

decision taken by the decision making bodies (Organi della Banca) when it has been verified the absence of the financial difficulty of the customer and there are no exposures that benefit from an active measure of tolerance;

- the classification with a higher level of risk is realized automatically either when all the conditions for the classification under Past Due or Unlikely to Pay have been found or through an automatic or manual request and then approved by the decision making bodies defined in the "Regulations of the limits of autonomy and powers for loan granting and management".

To support the recovery of exposures against "Private" and "Business" customers up to 300k of exposure, the "watch list loan reminder" process has been put in place and it is triggered when the first delay occurs in the payment of the loan periodical installment or for negative bank account balance .

This process pursues the objective of promptly implementing the actions necessary to collect exposure of the the position, avoiding customer's default and simultaneously maintaining the relationship with the customer.

The process is supported by the IT procedure named "Recupera" integrated into the PMG system, which governs a series of actions, starting from the written reminder to the borrower, to the telephone contact and the assignment of debt recovery to different external recovery companies according the persistence of the unpaid positions.

The management of the positions within the "watch list loan reminder" process is highlighted to the Relationship Manager to avoid any overlap of the actions taken by the external recovery companies with those taken internally by the Bank. Furthermore, the IT procedure permits to identify in any moment the list of the position under management along with their level of insolvency, updated accounting data, the plaintiff and the action underway as well as the results of solicit actions that have been already carried out.

Exposures with unpaid amounts are in any case subject to monitoring activities set by another IT procedure Definition of Default (DOD) with the aim to verify the achievement of time and materiality thresholds for the automatic classification as non-performing loan (Past due) defined by art 178 of L. 675/2013 .

Monitoring and managing "Forbearance positions"

Banco BPM has defined the criteria for the identification and management of "Forbearance" or "Forborne loan".

The renegotiation of contractual agreements of a loan, granted to the customer in order to allow him to meet his requirements despite the situation of financial difficulty that he is going through, constitutes a measure of forbearance by the Bank.

The situation of financial difficulty of the borrower is automatically carried out by the PEF procedure that, according to customer type, type of credit facilities undergoing a renegotiation, etc, propose a short list of possible intervention aimed to cure the position itself and thus prevent default.

After the choice the relationship manager is requested a susteneability analysis of the customer, supporting the proposal of the forbearance measure; only in case of positive results it is possible to submit the file to the decision maker body.

Once classified as "forborne", exposures are managed as part of the referred processes ("*Monitoring and managing non-performing loans*" for "*Impaired forbearance exposures*" and "*Performing loan monitoring and management*" for "*Other forborne exposures*").

Following the concession of forbearance, the exposure is monitored in order to:

a) ensure the regular performance of the relationships with customers and the persistence of conditions for (i) the ceasing of the forborne status with reference to customers classified as performing ("*in bonis*") or for (ii) the reclassification as performing, by maintaining the forbearance measure (under probation) for customers that have been already classified as "*Impaired forbearance exposures*";

b) identify and evaluate the events that may anticipate the ineffectiveness of the forbearance concession, referable to (i) the failure to comply with any new deadlines agreed, (ii) to the onset of an overdraft or (iii) to the downgrade of creditworthiness consequently to events that may compromise the full recovery of the exposure.

With reference to points a) and b), the following two cases are observed:

1. <u>The position respects the forbearance agreements</u>

Termination of the forborne loan condition for performing positions

The Customer Relationship Manager verifies the persistence of the following conditions in order to declare the end of the condition of forborne loan and consequently activates the process of reclassification as performing ("*in bonis*") of the exposure already identified as "Other forborne exposures":

- at least 24 months must have elapsed from the granting of forbearance or since the classification of the position as performing;

- the debtor must not have positions about to become past due (considering the tangible thresholds currently into force) for more than 30 days;

- the payment of the amount due, as indicated by the forbearance concession, must have been made on a regular basis in the past 12 months and must have involved a "more than insignificant" portion of the principal or interest;

- no elements should lead to classify the position as non-performing loans.

The decision concerning the end of the forborne loan condition and the subsequent reclassification as performing of the exposure already identified as "Other forborne exposures" is made by the "Monitoring and Prevention Default department" of the BBPM through a process procedurally verified, which allows to check the objective elements of regularity of the position as well as the Monitoring Manager's declaration about the absence of subjective elements (including any valuation of "non insignificance" of the repaid loan).

Reclassification as performing of "Impaired forbearance exposures" maintaining the condition of forborne loan

Positions classified as Past Due or Unlikely to Pay, which are beneficiaries of a forbearance measure, for which (i) at least 12 months have elapsed from the granting of forbearance or the end of payment holidays schema and (ii) do not show any past due or overdraft, are automatically recognized on daily basis.

To initiate the proposal for the classification as "performing", the Manager of the non-performing position verifies the absence of concerns regarding the full payment of the due amount when one of the following conditions is met:

- the amount of the exposure, that at the time of the forbearance concession was classified as past due or overdraft, has been fully paid;

- the amount paid is equal to the credit that may have been written off as part of the credit restructuring agreement or;

- the customer's ability to comply with terms and conditions indicated by the forbearance concession has been demonstrated.

Following a valuation of the financial situation of the borrower by mean of a specific "return to bonis" check list, the decision concerning the reclassification as performing ("*in bonis*") of the "Impaired forbearance exposures" (non-performing positions) is taken through the approval of the authorized Body as defined by the "Regulations of the limits of autonomy and powers for loan granting and management".

Following the resolution of reclassification as performing, the position maintains the forbearance condition (forbearance under probation) and the identification as "Other forborne exposures". This condition can be declared as terminated only when all the above mentioned conditions exist with reference to the "termination of the forborne loan condition for performing positions".

2. <u>The position doesn't respects the forbearance agreements</u>

If the position has registered a past due after the grant of the forbearance status, the process provides the immediate solicitation to the customer in order to settle the position.

Once the necessary time for the solicitation to the client and for the verification of the causes that determined the past due has expired, the Customer Relationship Manager for the position identified as "Other forborne exposures" or the Manager responsible for the non-performing position for "Impaired forbearance exposures" will evaluate whether the events, that may also be independent of the granted forbearance, require the consideration of a more precautionary measure to protect the loan. Furthermore, this valuation takes into consideration the proposal to attribute a higher risk to the position and, in particular:

- as "Unlikely to Pay", for positions classified as "performing" or past due;

- as "Unlikely to Pay" with management class "revoked", with closure of credit lines and immediate notice to pay sent to the borrower for the positions classified as "Past Due" or already classified as "Unlikely to Pay".

The decision on the classification as "Unlikely to Pay" is taken through resolution of the authorized Body, on the proposal of a proponent (see the section "*Classification of positions in non-performing loans categories*"). The classification as "Unlikely to Pay" is automatic in case of detrimental events the like of bankruptcy law procedures.

If an exposure, already reclassified from "non-performing" ("*Impaired forbearance exposures*") to "performing loans" or "in bonis" ("*Other forborne exposures*"), has had positions that are about to be classified as Past Due (considering the tangible thresholds currently into force) for more than 30 days or benefits from a further forbearance concession, it is automatically classified as unlikely to pay.

Classification in non-performing loans categories

The process of "Classification of positions in non-performing loans categories" lays down the rules and responsibilities of the Relationship Manager and those of the Manager of the Non-performing Position aimed at ensuring the consistency of the operational status of the position with the deterioration of the risk profile of the customer and compliance with the Supervisory provisions.

Futhermore, the process is designed to ensure the return of the position to a performing status when the causes that determined the classification within the non-performing loans categories no longer exist, coherently with the rules established by the European Banking Authority (EBA) on forbearance and non-performing exposures, by art. 178 of the European Regulation 675/15 and by the Bank of Italy on the new "classification in non-performing loans categories" (see update of Circular n.272 "Accounts Matrix", Chap. II "Credit Quality").

The expected classifications are: "Past due and/or overdue non-performing exposures" (Past Due), "Unlikely to Pay" and "Bad Loans".

The classification as Past Due is carried out automatically for the positions that reach the thresholds envisaged by the ECB Default Guidelines.

Exposures to parties experiencing temporary financial hardship are defined Unlikely to Pay whereby the debtor is assessed by the Bank as unlikely to pay its credit obligations in full (for the principal and interest) without collateral enforcement.

This valuation is carried out by the Manager regardless of the presence of any overdue or installments past due and not paid. Therefore, it is not necessary to wait for any explicit sign of irregularity (failure to repay or non-redemption) if there are elements or indicators that may imply the risk of default of the borrower (for example, even a crisis of the industrial sector in which the debtor operates).

In order to guarantee the promptness of the credit recovery process, some automatic methods for the proposed classification as Unlikely to Pay have been provided for those positions that:

- persist as non-performing Past Due for more than 180 days;

- are in performing or past due non-performing status with credit facilities or overdrafts exceeding 1,500.00 euro, which are classified as "Sofferenze" by Centrale dei Rischi;

- showing one of the following states: bankruptcy, “concordato preventivo”, “liquidazione coatta amministrativa” or “pregiudizievoli gravi” (in case of banckrupcy events and similia there’s an automatic classification to UTP);

- following a forbearance concession, have undergone a loss of more than 1% (in this case, there’s an automatic classification);

- have received one forbearance measure and the loss is equal or less than 1%;

- if the positon is part of a group of connected companies and a) the head company is classified into bad loans (sofferenze) or b) the total exposure of the group is more of 70% defaulted.

These events require an UTP assessment by the competent Customer Relationship Manager a) with the validation of the Branch Manager if the position exposure is <=100k€, b) with the support of central Default Preventing office for exposure > 100k.

The UTP assessment is then subject to an approval process, managed through IT system LAWEB, which requires the review of intermediate Bodies (“parere intermedio”) responsible for providing a non binding opinion, and the final decision by decision-making Body based on the amount of the exposure to be classified.

Finally, exposures to insolvent customers (even if they have not yet been legally acknowledged as such) or customers in similar positions, regardless of any anticipated loss formulated by the Bank, are to be classified as Bad Loans. In this cases the existence of any (real or personal) personal guarantee to protect the loans is not considered.

The classification to bad loans is managed through IT system LAWEB, requires the review of intermediate Bodies (“parere intermedio”) responsible for providing a non binding opinion, and the final decision by decision-making Body based on the amount of the exposure to be classified.

If a position is defined OMR (Relevant) or OS (significant) according to internal policy, the classification process could be subject to a mandatory review of a Risk Management structure.

Monitoring and managing non-performing loans

The management of non-performing loans in Banco BPM Group is primarily based on a model that assigns the management of a defined non-performing portfolio to specialized managers (Non-Performing Exposure managers).

Positions are assigned to individual Managers using an automatic process based on the geographic location of the loan, identified according to the Branch, Business Area and Area Office to which the customer is associated and on the total exposure of the position. However, it is possible to manage exceptions, through a controlled process, to assign a position to a different Manager from the one identified automatically, as well as for temporary situations.

Processes for monitoring and managing non-performing loans are differentiated based on:

- the exposure’s classification status, which distinguishes between customers with Bad Loans positions and customers with other non-performing loan statuses:

- the amount of the exposure, based on its size (at the customer's Economic Group level);

- the product, distinguishing between "leasing" exposures and other types of exposure;

Past Due and Unlikely to pay:

With reference to the amount of the exposure and the type of the counterparty, the responsibility for the management of positions, at the time of classification:

- up to euro 30,000, remains attributed to the Head of the Branch (Branches),

- over euro 30,000 and up to 5 million, is assigned to specialized personnel of the "UTP Retail" unit

- over 5 million or in presence of specific bankruptcy law procedures is assigned to "Strategic Positions and restructuring" office;

With reference to smaller positions, which remain under the responsibility of the Branches, the management is supported by a very detailed and guided process, with time limits defined beforehand and with minimal discretion.

The process of monitoring and managing larger positions, which is always assigned to specialized managers, allows more flexible and customized solutions.

The processes are designed to govern the actions of the manager and to detect any inaction.

For positions classified as Past Due or Unlikely to Pay, the non-performing loan Managers are responsible for management decisions regarding the positions assigned to their respective portfolios, in compliance with established decision-making powers, but they are supported in administrative management by the managers (Client Relationship Manager) of the Network in which portfolio the relationship as well as the economic results achieved are still attributed.

For legal requirements, the Managers of non-performing loans receive support from an internal legal structure, which belongs to the Legal Department and Regulatory Affairs. It is structured in order to carry out in the best way possible its advisory activities to the central office structures and the Branch Network.

To ensure an efficient loan management, powers are assigned to the Decision-Making bodies of the Branch and to the Headquarter competent units in proportion with the above-mentioned operational limits and with the associated operational needs

The system of levels of autonomy and operational powers is structured to protect the Bank from conflicts of interest through the attribution of decision-making responsibilities in the matter of classification to higher or lower risk classes, value adjustments (provisioning) or the waiver of loans, to Bodies higher than those that manage the positions.

The bank has in place a servicing agreement with external specialized companies for "Non performing portfolio" who manage the process of solicitation of unpaid amount and or negative exposure. Servicing activity is supported by a specific workflow integrated into LAWEB procedure.

All positions classified as Unlikely to Pay in exceeding 30,000 euro are subject to a six-monthly review by the Manager of the non-performing position in order to verify the progress of the relationship with the customer and his financial position, as well as to define the consistency of expected losses with respect to such assessments. The review may be required in advance if the IT system automatically detects the occurrence of certain pre-codified detrimental conditions.

Within the review activities, as regards the determination of the expected losses, we distinguish two cases:

- within the relevant threshold of euro 1,000,000 the loss provisions are automatically set by the IT procedure (collective approach);

- beyond the relevant threshold: the manager of the non-performing position must perform an analytical assessment within 30 days from the classification of the position as Unlikely to Pay, meanwhile (and as a precautionary measure) the loss forecasts automatically assigned to the position are calculated as for positions under threshold. In the assessment, the Manager must explicitly specify the methodology adopted for the identification of the cash flows (Going or Gone Concern).

In case of real estate collateral, the Manager of the non-performing position must consider the market value "with assumption" of the guarantee in the assessment. The value is determined taking into consideration the fire sale value1 (SRV) of the asset. In case of individual guarantee positions, with gross exposure:

- greater than the relevant threshold of euro 300,000: the value of the asset must be certified by an appraisal. Considering this valuation, the Manager of the non-performing position must renew the appraisal during the classification of the exposure as Unlikely to Pay and, subsequently, every 12 months. If the value of the real estate collateral of the individual position has already been estimated and it is lower than euro 300,000, the update of the appraisal is evaluated on the basis of the incidence of the value of the real estate collateral on the gross exposure;

- lower than the relevant threshold of euro 300,000: the value of the real estate property is automatically updated every six months through the use of price changes provided by a specialized third party company that uses methodologies based on the revision of the data provided by the Italian Internal Revenue Agency (Real Estate Market Observatory).

In order to prudently consider any depreciation of real estate properties provided as collateral and to correctly quantify the effective value, the Manager must use "fire sale value" and, when the position is classified as back-to-bonis the market value with assumption.

- In the credit analytical assessment, if the value of the real estate collateral refers to an out-of-date appraisal, a reduction (haircut) is applied based on the vintage and the type of debtor. If the market value with assumption is not available, the non-performing loan Manager must use the market value applying specific reductions (haircuts).

The non-performing loan Manager may propose additional provisions against the perception of an increase in the perceived risk. These proposals to revise provisions are automatically subject to a resolution procedure, managed through the LAWEB procedure. It requires the intervention of intermediary Bodies that must express a non binding opinion and of the

competent deliberating body as defined in the "Regulations of the limits of autonomy and powers for loan granting and management".

Furthermore, the LAWEB procedure historicizes all the information and evaluation expressed on the position for decision tracking purposes.

Bad loans (Sofferenze)

The Bad Loans management model is based on the specialization of management competences between internal structures of Banco BPM and external ones, envisaging that positions with higher relevance and complexity are internally managed. This model envisages:

- the assignment to the "NPE Management" unit of the coordination of all the activities for the recovery or sale of Bad Loans and the direct management of customers who are not assigned to the external management mandate in terms of size and reputational impact;

- the assignment to an external Servicer of the direct management – through a specific mandate and with predefined limits – of clients classified as non-performing not internally managed;

- the possibility, in particular circumstances, to call back from the Servicer any positions previously assigned.

The Servicer's activity is always monitored by the unit "Performance Management NPE".

The internal management responsibility is assigned to specialized managers, all of whom report directly to the NPE management unit. They are identified among the resources with legal skills.

For internally managed positions, the Manager, after a first attempt to contact the borrower and guarantors, defines, on a case by case basis, whether it is possible to collect the debt out of court, or to activate legal actions, such as the registration of a lien on real estate assets of the borrower or guarantors.

In case of legal actions, the process involves external law firms for executive activities; they are contacted by internal managers. They coordinate actions relating to the borrower and guarantors and send proposals to the competent decision-making Bodies.

- Bad Loans with exposure within the relevant threshold of Euro 1,000,000 are automatically assigned loss forecasts.

- Bad Loans with exposure exceeding the relevant threshold must be subject to a periodic review by the Manager of the Bad Loan in order to verify the consistency of loss forecasts. When analytically assessing bad loans, the Manager of the Bad Loan must apply – consistently with the Guidelines regarding management of loans classified as bad loans– the "gone concern" approach which envisages, as the main source of repayment, the amount obtained from the sale of the assets subject to any secured guarantee (pledge or appraisal). In addition to this source of repayment, potential repayment flows from the asset of the debtor or guarantors must be assessed as well as any liquidity or other sources of income, other than real estate assets of the debtor or guarantors.

- With secured guarantees on real estate assets, the Manager of the Bad Loan must consider the effective value of the guarantee in the appraisal, as specified below.

- To quantify the coverage of the exposure provided by the real estate asset, "market value with assumption (MVWA)"[4] – must be acquired. The MVWA must be certified through a monitoring appraisal, drawn down according to the method-related indications approved by the Bank. The value of the technical consultancy (CTU) or the value formulated at the auction by the competent Court if there are active judicial procedures are considered like a MVWA.

- For individual guaranteed positions, with gross exposure:

    - greater than euro 300,000: the market value and the MVWA of the asset must be certified by an appraisal that must be renewed once the position is classified as Bad Loan and, subsequently, every 12 months. If the value of the asset of the single position has already been estimated and it is lower than the threshold of euro 300,000, the update of the appraisal is evaluated on the basis of the incidence of the value of the real estate collateral on the gross exposure;

    - lower than euro 300,000: the value of the real estate property is automatically updated every six months through the use of price changes provided by a specialized third party company that uses methodologies based on the revision of the data provided by the Italian Internal Revenue Agency (Real Estate Market Observatory;

- for secured positions where the sum of the gross exposure is higher than the euro 300,000 euro threshold, the market value and the MVWA of the asset must refer to the value of the asset as reported by an expert appraisal. The appraisal must be renewed once the position is classified as Bad Loans and, then, every 12 months;

- in order to prudently taken into account the depreciation of properties provided as collateral and to quantify their expected value, the Bad Loan Manager must use the MVWA. If the value of the real estate collateral refers to an out-of-date appraisal, a reduction (haircut) is applied based on the vintage and the type of debtor in relation to specific tables indicated in the internal Guidelines for the management of Bad Loans.

The Manager of the Bad Loan must periodically review the provisions of positions over the relevant threshold according to the frequency criteria set out in the internal "Guidelines for the management of bad loans".

In particular, the receivables valuation must be continuously updated and when any new elements that may generate a significant change either in recoverable cash flows or in the expected loss arise.

The minimum revision frequency shall be differentiated according to (i) the size of the estimated recovery forecasts, (ii) the presence of real guarantees that are supporting the loan and (iii) the expected loss.

The 12 months periodical review is required for position with an exposure > 1 million euro with the exception for those with a predicted recovery lower or equal to the 5% of the total exposure.

[4] "The market value with assumption" is determined according to the definition set out in Regulation (EU) 575/2013 article 4 paragraph 1 point 76, considering that all the conditions set out in the explanation cannot be satisfied. For further information on the concept of 'assumption', please refer to the ABI 2018 (3.1), TEGoVA (EVS 2016 - EVS.1) and RICS 2017 (VPS 4.8) guidelines.

If necessary, the expected loss may also be revised before the periodical review of the position.

For positions with an exposure over the relevant threshold, the expected loss review must be anticipated with respect to the periodical review in case there has been an automatic detection of a relevant reduction of the market value of the guarantees, (ii) in case of a new bidding for the collateral or (iii) in case of serious adverse events.

The above rules also apply to Bad Loans under external management.

Proposals to revise provisions are automatically subject to a decision-making process managed through the IT Procedure LAWEB, which requires the intervention of intermediary Bodies, responsible for providing an opinion, and the competent decision-making body as defined in the "Regulations of the limits of autonomy and powers for loan granting and management".

Furthermore, the LAWEB procedure historicizes all the information and evaluation expressed on the position for decision tracking purposes.

Structure of the control system

The general structure of the control system includes:

- line controls (level I)
- controls on risks and on compliance (level II).

Line controls (level I)

First-level line controls are aimed at ensuring proper execution of transactions and are carried out directly by operating structures because they are first in charge of the process of risk management.

In compliance with this responsibility, during daily operations, operating structures must identify, measure or evaluate, monitor and mitigate the risks deriving from the normal course of the business in compliance with the risk management process.

First-level line controls can be either "automatic" controls, i.e. carried out directly by application procedures, or hierarchical controls, implemented as part of the same chain of responsibility.

The second-level line controls include those carried out by the "Monitoring and Default Prevention" and "Credit Governance" departments ", or by other structures that carry out the operations.

Through the second-level line controls, the above departments exercise their overall responsibility on the results of the loan processes, preserving the autonomous ability to guide and control them. In particular, these checks envisage the intervention on the operational structures to press for corrective actions, either directly or by means of the central structures of the Area Offices and of the Companies of the Banking Group.

The line controls (of first and second level) can be implemented either systematically or by sampling.

These controls are defined in the regulations on loans issued with reference to each process, according to criteria and methods able to guarantee that all exposures arising from irregularities or inaction are highlighted and examined.

Controls on risks and on compliance (level II)

Controls on risks and on compliance are aimed at ensuring the correct implementation of the risk management processes put in place by the operational structures, the compliance with the operating limits assigned to various functions and the compliance of business operations with regulations, including self-regulation.

The essential element which characterizes the level II controls concerns the fact that they are carried out by a risk control unit separate from the production one. Consequently, the level II controls include the goal to ensure that level I controls are effectively performed as well.

The level II controls regarding loans are assigned to the Risks unit through the "Credit risk controls" unit.

This unit is responsible for the verification of the correct implementation of the lending processes by the business units, respecting the already established rules and, more specifically, with reference to:

- the monitoring of the performance of exposures classified as performing;
- the monitoring of the performance of exposures classified as non-performing loans;
- the consistency of the classification in the operational statuses of the "Loan management and monitoring: watch list" process, among the exposures subject to concessions of "tolerance" (forbearance), in the statuses of the non-performing loan;
- the appropriateness of the provisions;
- the effectiveness of the real estate collateral management and valuation process
- the suitability of the debt recovery process.

Control activities are conducted on credit exposures, in particular Non-Performing and Performing exposures with performance anomalies, belonging to risk areas defined on the basis of experience or through the monitoring of anomaly indicators. In this context, the number of positions to be subjected to analytical verification is not defined a priori, since it is conditioned by the complexity of the verifications to be performed and the resources dedicated to the analysis.

The files to be analysed are selected using sampling techniques of a statistical nature or on the basis of their risk profile, also determined through the results produced by the system of Key Risk Indicators developed internally by the functions reporting to the Chief Risk Officer. CREDIT RISK CONTROLS explains in its reports which selection methods are used. The controls envisage the systematic application of indicators of anomaly to the loan portfolio, the assessment of the deviations detected from time to time, the in-depth analysis of the individual positions and, if necessary, adaptation measures on the same to time.

THE GUARANTOR

Introduction

The Guarantor was incorporated in the Republic of Italy on 21 September 2007 pursuant to the Securitisation and Covered Bonds Law as a limited liability company (società a responsabilità limitata) under the name **Duse Finance S.r.l.** and changed its name into **BPM Covered Bond S.r.l.** and modified its corporate object by the resolution of the meeting of the Quotaholders held on 3 June 2008. The Guarantor is registered at the Companies' Registry of Rome under registration number 09646111006. The registered office of the Guarantor is at Via Curtatone 3, 00185, Rome, Italy and its telephone number is +39 068091531. The Guarantor has no employees and no subsidiaries. The Guarantor's by-laws provide for the termination of the same in 2050 subject to one or more extentions to be resolved, in accordance with the by-laws, by a Quoteholders's resolution.

The legal entity identifier (LEI) of the Guarantor is 81560053F1023BE1D690.

The Guarantor performs Covered Bond activities in accordance with the Securitisation and Covered Bonds Law and, in compliance with Bank of Italy's instructions of 21 January 2014 has recognised the acquired loans, the issued notes and the other transactions accomplished during the course of the securitisation in the explanatory notes to the financial statements and not in the balance sheet. As disclosed by the Guarantor's management, the recognition of financial assets and liabilities in the explanatory notes of the financial statements is done in conformity with the administrative dispositions issued by the Bank of Italy based on article 9 of legislative decree 38/2005, in accordance with the international accounting standards.

Banco BPM Group

On 30 May 2008, the Bank of Italy has authorised the purchase by the Issuer of 80% of the quota capital of the Guarantor. The Guarantor is consolidated in the Banco BPM Group as it is reported in the financial statements of the Issuer. For further information on the Banco BPM Group, please refer to paragraph "*Business Description of the Issuer and the Group*" above.

Principal Activities

The sole purpose of the Guarantor under the objects clause in its by-laws is the ownership of the Cover Pool and the granting to Bondholders of the Guarantee. From the date of its incorporation the Guarantor has not carried out any business activities nor has incurred in any financial indebtedness other than those incurred in the context of the Programme.

Share Capital

The outstanding capital of the Guarantor is €10,000.00 divided into quotas as described below. The quotaholders of the Guarantor are as follows:

Quotaholder	**Quota**
Banco BPM	€8,000.00 (80% of capital)
Stichting Horizonburg*	€2,000.00 (20% of capital)

**Stichting Horizonburg is a Dutch foundation whose director is ANT Securitisation Services B.V.*

Banco BPM S.p.A., holding 80 per cent. of the quota capital of the Guarantor, controls the Guarantor which belongs to the Banco BPM Group. In order to avoid any abuse, the Quotaholders' Agreement provides that no Quotaholder of the Guarantor will approve the payments of any dividends or any repayment or return of capital by the Guarantor prior to the date on which all amounts of principal and interest on the Covered Bonds and any amount due to the Other Guarantor Creditors have been paid in full.

Management

Board of Directors

The following table sets out certain information regarding the current members of the Board of Directors of the Guarantor.

Name	**Position**	**Principal activities performed outside the Guarantor**
Angelo Zanzi	Chairman of the Board of Directors	Head of Financial Reporting of Banco BPM Group
Franco Marini	Director	Financial Consultant
Simone Girelli	Director	Head of Financial Reporting of Parent Company Banco BPM

The business address of the Board of Directors of the Guarantor is Via Curtatone, 3, 00185 Roma, Italy.

Board of Statutory Auditors

Under the Quotaholders' Agreement the Quotaholders have undertaken that, if, at any time, a Board of Statutory Auditors shall be appointed, it shall be composed of three members which shall appointed as follows: one by Stichting Horizonburg and two by Banco BPM S.p.A..

Conflict of Interest

There are no potential conflicts of interest between the duties of the directors and their private interests or other duties.

The Quotaholders' Agreement

Pursuant to the term of the Quotaholders' Agreement entered into on or about the date of this Prospectus, between Banco BPM and Stichting Horizonburg, as sole quotaholders of the Guarantor, and the Representative of the Bondholders, the quotaholders have agreed, *inter alia*, not to amend the by-laws (*statuto*) of the Guarantor and not to pledge, charge or dispose of the quotas (save as set out below) of the Guarantor without the prior written consent of the Representative of the Bondholders. The Quotaholders' Agreement is governed by, and will be construed in accordance with, Italian law.

Financial Statements

The financial year of the Guarantor ends on 31 December of each calendar year.

PricewaterhouseCoopers Advisory SpA is appointed to perform the audit of the financial statements of the Guarantor up to the years ending on 31 December 2023 and on 31 December 2022.

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by MEF (Decree n. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Piazza Tre Torri, 2, 20145 Milan, Italy. PricewaterhouseCoopers S.p.A. audited the financial statements for the year ended 31 December 2022 and 31 December 2023.

Copies of the financial statements of the Guarantor for each financial year may be inspected and obtained free of charge during usual business hours at the specified offices of the Principal Paying Agent and of the Representative of the Bondholders.

The Guarantor has not, from the date of its incorporation, carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme). Nevertheless, in accordance with Italian law (requiring all companies to approve a balance sheet within a specified period from the end of each finacial year), the Guarantor has prepared its financial statements for the period between its incorporation (21 September 2007) and the end of its financial year (31 December 2023). The following table shows the summary figures of the Guarantor's financial statements as at 31 December 2023 and as at 31 December 2022 as approved by the meeting of the quotaholders of the Guarantor on 27 March 2024 and on 6 April 2023.

Balance sheet as at 31 December 2023

Assets	**Euro**
Cash and Cash equivalents	10,000
Tax assets	8
Other assets	49,995
Total Assets	**60,003**
Liabilities and Quotaholders' Equity	
Tax liabilities	-
Other liabilities	50,003
Capital (Authorised, issued and outstanding capital Euro 10,000 - 2 quotas of Euro 8,000 and Euro 2,000)	10,000
Reserves	-
Net profit (loss) for the year	-
Total Liabilities and Quotaholders' Equity	**60,003**
Cash and Cash equivalents	10,000

Income Statement as at 31 December 2023

Administrative expenses	-108,980
Other operating income and expenses	109,009
Operating expenses	29
Profit (loss) before tax from continuing operations	29
Taxes on Income for the year from continuing operations	-29
Net profit (loss) for the year	-

Balance sheet as at 31 December 2022

Assets	**Euro**
Cash and Cash equivalents	10,000
Tax assets	-
Other assets	64,595
Total Assets	**74,595**
Liabilities and Quotaholders' Equity	
Tax liabilities	4
Other liabilities	64,591
Capital (Authorised, issued and outstanding capital Euro 10,000 - 2 quotas of Euro 8,000 and Euro 2,000)	10,000
Reserves	-33
Net profit (loss) for the year	33
Total Liabilities and Quotaholders' Equity	**74,595**

Income Statement as at 31 December 2022	**Euro**
Administrative expenses	-125,951
Other operating income and expenses	126,021
Operating expenses	70
Profit (loss) before tax from continuing operations	70
Taxes on Income for the year from continuing operations	-37
Net profit (loss) for the year	33

DESCRIPTION OF THE TRANSACTION DOCUMENTS

GUARANTEE

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Guarantee pursuant to which the Guarantor issued, for the benefit of the Bondholders and the Other Guarantor Creditors, a first demand, unconditional, irrevocable and autonomous guarantee to support payments of interest and principal under the Covered Bonds issued by Banco BPM S.p.A. under the Programme and of the amounts due to the Other Guarantor Creditors. Under the Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Guarantee constitute direct and (following the occurrence of an Issuer Event of Default, the service of an Issuer Default Notice on the Issuer and the Guarantor or, if earlier, the service on the Issuer and the Guarantor of a Guarantor Default Notice) unconditional, unsubordinated and limited recourse obligations of the Guarantor, backed by the Cover Pool as provided under Title 1-*bis* of the Securitisation and Covered Bonds Law and the Bank of Italy Regulations. Pursuant to the terms of the Guarantee, the recourse of the Bondholders to the Guarantor under the Guarantee will be limited to the assets of the Cover Pool. Payments made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

Under the Guarantee the parties thereof have agreed that as of the date of compulsory liquidation (*liquidazione coatta amministrativa*) or, to the greatest extent permissible by law and without prejudice to Condition 11.2(iv), resolution (*risoluzione*) of the Issuer or following the delivery of an Issuer Default Notice to the Issuer and the Guarantor, the Guarantor shall fulfil, within the limits of the Cover Pool, the Issuer's obligations towards the Bondholders upon the terms and conditions originally agreed. The Guarantor (or the Representative of the Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 7-*quaterdecies*, paragraph 3, of the Securitisation and Covered Bonds Law, the rights of the Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

The Guarantor, pursuant to the Guarantee, shall pay or procure to be paid to the Bondholders:

(a) without prejudice to the effects of a suspension of payments by the Issuer pursuant to article 74 of the Consolidated Banking Act following the service of an Issuer Default Notice on the Issuer and on the Guarantor (but prior to a Guarantor Event of Default), on each Guarantor Payment Date that falls on an Interest Payment Date, an amount equal to those Guaranteed Amounts which shall become Due for Payment, but which have not been paid by the Issuer to the relevant Bondholders on the relevant Interest Payment Date; or

(b) following the service of a Guarantor Default Notice on the Guarantor in respect of the Covered Bonds of each Series (which shall have become immediately due and repayable), the Guaranteed Amounts.

In case of an Article 74 Event, the notice shall specify that such Issuer Event of Default may be temporary. If, following the service of an Issuer Default Notice consisting of an Article 74 Event, such event is cured and no other Issuer Event of Default or Guarantor Event of Default has occurred, then the Representative of the Bondholders (to the extent it has knowledge

thereof, pursuant to the provisions of the Intercreditor Agreement) will deliver to the Issuer, the Guarantor and the Asset Monitor the Article 74 Event Cure Notice informing such parties that the Article 74 Event has been revoked and the Guarantor's obligation to make payment of the Guaranteed Amounts in accordance with this Clause shall cease to apply until this Guarantee is newly enforced by the Representative of the Bondholders in accordance with the provisions hereof and therefore the Issuer shall resume responsibility for meeting the payment obligations under the Covered Bonds.

All payments of Guaranteed Amounts by or on behalf of the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature unless such withholding or deduction of such taxes, assessments or other governmental charges is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Guarantor shall not be obliged to pay any amount to any Bondholder in respect of the amount of such withholding or deduction.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Guarantee, the Guarantor will be fully and automatically subrogated to the Bondholders' rights against the Issuer for the payment of an amount corresponding to the payments made by the Guarantor with respect to the relevant Series of Covered Bonds under this Guarantee, to the fullest extent permitted by applicable law.

Governing law

The Guarantee and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

SUBORDINATED LOAN AGREEMENT

On 19 April 2018 Banco BPM entered into a Subordinated Loan Agreement with the Guarantor, pursuant to article 7-*bis* of the Securitisation and Covered Bonds Law under which Banco BPM granted to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, for the purposes of (a) funding the purchase price of the relevant Receivables and/or (b) funding the purchase of Substitution Assets or other Eligible Assets pursuant to the terms of the Cover Pool Management Agreement.

Each Term Loan granted pursuant to the Subordinated Loan Agreement shall be identified in (A) a Term Loan A which is a Term Loan (i) advanced for the purpose of financing (in whole or in part) the purchase of Eligible Assets to be used as collateral for issue of a Series of Covered Bonds, (ii) identified by reference to the relevant Series of Covered Bonds so issued or to be issued and (iii) for an amount equal to (1) the principal amount of the relevant Series of Covered Bonds so issued or to be issued or (2) the lower amount necessary for such purpose, taking into account the Guarantor Available Funds; and (B) a Term Loan B which is a Term Loan (i) advanced for the purpose of funding the purchase of Eligible Assets and/or Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Tests) and/or Liquid Assets pursuant to the terms of the Cover Pool Management Agreement; and/or (ii) advanced concurrently with the advance of a Term Loan A, for an amount equal to the difference between the Term Loan A and the aggregate amount advanced on such Drawdown Date and/or (iii) being any principal amount still outstanding of a Term

Loan A on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date.

Each Term Loan A shall accrue interest on its principal amount outstanding at a rate calculated on the same basis as the interest computed under the Corresponding Series of Covered Bonds (the **Base Interest**) and shall be payable on each Guarantor Payment Date falling on any Interest Payment Date following the relevant Drawdown Date in accordance with the relevant Priority of Payments. A Premium may also be payable on each Term Loan A on each relevant Guarantor Payment Date, in accordance with the relevant Priority of Payments.

In respect of a Term Loan B a Premium may be payable on each Guarantor Payment Date following the relevant Drawdown Date, subject to the relevant Priority of Payments.

Each Term Loan A shall be due for final repayment on the date that matches the Maturity Date (or, as applicable, Extended Maturity Date) of the Corresponding Series of Covered Bonds, and shall be payable within the limits of the Guarantor Available Funds and in accordance with the relevant Priority of Payments, provided that, if on such date the relevant Term Loan A has not been repaid in full, any amount outstanding thereunder shall be deemed as a Term Loan B and the provisions of the Subordinated Loan Agreement regulating the repayment of a Term Loan B shall apply.

Each Term Loan A shall be subject to partial repayment on each Guarantor Payment Date, prior to a Segregation Event and/or an Issuer Event of Default, according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, as follows:

(i) *mandatory repayment*: if the Substitution Assets and/or the Liquid Assets exceed the Integration Limits, for an amount equal to the Limit Excess Amount; and/or

(ii) *early repayment*: if the Subordinated Lender has sent a Term Loan A Redemption Request, for the amount indicated by the Subordinated Lender in such Term Loan A Redemption Request, in any case within the limits of the Term Loan A Redemption Amount,

provided, that each of such repayment does not result in a breach of Tests, a Segregation Event or an Issuer Event of Default.

Each Term Loan B shall be repaid on each Guarantor Payment Date prior to an Issuer Event of Default according to the relevant Priority of Payments and within the limits of the then Guarantor Available Funds, provided that such repayment does not result in a breach of any of the Tests and the Liquidity Buffer Requirement.

Amounts owed by the Guarantor under the Subordinated Loan Agreement will be subordinated to amounts owed by the Guarantor under the Guarantee.

To the extent that the Guarantor makes a payment under the Guarantee, Banco BPM will become indebted to the Guarantor for an amount equal to the relevant payment. Any amounts owing by Banco BPM to the Guarantor in respect of amounts paid by the Guarantor under the Guarantee shall be set-off automatically against any amounts repayable by the Guarantor under the terms of the Subordinated Loan Agreement granted by Banco BPM, as the case may be.

Pursuant to the Subordinated Loan Agreement each Term Loan that has been repaid in accordance with the terms thereof will be available to the Guarantor for redrawing during the Availability Period within the limits of the relevant Total Commitment.

Payments by the Issuer of amounts due to the Bondholders under the Guarantee are not conditional upon receipt by the Issuer of payments from the Guarantor pursuant to the relevant Subordinated Loan Agreement.

Governing law

The Subordinated Loan Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

MASTER RECEIVABLES PURCHASE AGREEMENT

On 19 April 2018 Banco BPM entered into a Master Receivables Purchase Agreement with the Guarantor, as amended, supplemented or restated from time to time, in accordance with the combined provisions of articles 4 and 7-*octies* of the Securitisation and Covered Bonds Law, pursuant to which the Seller assigned and transferred, without recourse (*pro soluto*), to the Guarantor and the Guarantor purchased, without recourse (*pro soluto*), the Receivables comprised in the Initial Portfolio.

Under the Master Receivables Purchase Agreement, the Seller shall transfer to the Guarantor, and the Guarantor shall purchase from the Seller (i) Subsequent Portfolios of Eligible Assets, Substitution Assets and/or Liquid Assets, if such transfer is required under the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests, or (ii) Subsequent Portfolios of Liquid Assets only, if such transfer is required under the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Liquidity Buffer Requirement.

In addition, the Seller may: (i) transfer to the Guarantor, and the Guarantor shall purchase from the Seller, Subsequent Portfolios of Eligible Assets, Substitution Assets and/or Liquid Assets in order to ensure the compliance of the Cover Pool with the Integration Limits; (ii) transfer to the Guarantor, and the Guarantor shall purchase from the Seller, Subsequent Portfolios of Eligible Assets in order to supplement the Cover Pool in connection with the issuance by the Seller of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement; and (iii) transfer to the Guarantor, and the Guarantor shall purchase from the Seller, Subsequent Portfolios of Eligible Assets in order to supplement the Cover Pool in connection with the issuance by the Seller of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement.

Prior to the occurrence of a Guarantor Event of Default, Portfolios may only be offered or purchased if the following conditions are satisfied:

(a) a Guarantor Default Notice has not been served on the Guarantor;

(b) such transfer will not result in a breach of any requirements of law (including, but not limited to, the Securitisation and Covered Bonds Law and the Bank of Italy Regulations).

The Initial Portfolio Purchase Price payable pursuant to the Master Receivables Purchase Agreement is equal to the aggregate Individual Purchase Price of all the Receivables included

in the Initial Portfolio. The Individual Purchase Price for each Receivable included in the relevant Initial Portfolio is equal to (I) (a) the book value (*ultimo valore di iscrizione in bilancio*) as of the audited balance sheet of 31 December 2016 in respect of those Receivables included in the Initial Portfolio originated prior to such date and (b) for those Receivables originated after 31 December 2016, the value certified by the auditors of the Issuer in accordance with the provisions of the Bank of Italy Regulations; plus (II) any Accrued Interest; less (III) any principal Collections received by Banco BPM S.p.A. from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione bilancio*) is calculated (included) to the relevant Valuation Date (included). Under the Master Receivables Purchase Agreement the parties thereof have acknowledged that the Initial Portfolio Purchase Price shall be funded through the proceeds of the first Term Loan under the Subordinated Loan Agreement.

The Receivables comprised in the Initial Portfolio and Subsequent Portfolio meet the Common Criteria (described in detail in the section headed "*Description of the Cover Pool*"). Eligible Assets, Substitution Assets and/or Liquid Assets comprised in any Subsequent Portfolio to be transferred under the Master Receivables Purchase Agreement shall meet, in addition to the Common Criteria, the relevant Additional Criteria and/or any Further Criteria (both as defined below).

As consideration for the transfer of any Subsequent Portfolios, pursuant to the Master Receivables Purchase Agreement, the Guarantor will pay to Banco BPM an amount equal to the aggregate of the Individual Purchase Price of all the relevant Eligible Assets, Substitution Assets and/or Liquid Assets as at the relevant Valuation Date. The Individual Purchase Price for each Eligible Asset, Substitution Asset and/or Liquid Asset included in each Subsequent Portfolio will be equal to (i) (A) the book value as of the most recent audited balance sheet (*ultimo valore di iscrizione in bilancio*) of all the Eligible Assets, Substitution Assets and/or Liquid Assets included in the relevant Subsequent Portfolio, and (B) for those Eligible Assets, Substitution Assets and/or Liquid Assets originated after such audited balance sheet, the value certified by the auditors of Banco BPM in accordance with the provisions of the Bank of Italy Regulations; plus (ii) any Accrued Interest; less (iii) any principal Collections received by Banco BPM from the Business Day following the date on which the most recent book value (*ultimo valore di iscrizione in bilancio*) is calculated (included) to the relevant Valuation Date (excluded), provided that Banco BPM and the Guarantor may agree to use different criteria for the calculation of the purchase price of any Subsequent Portfolio in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Minister of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law and the Bank of Italy Regulation.

Pursuant to the Master Receivables Purchase Agreement, prior to the service of an Issuer Default Notice, Banco BPM will have the right to repurchase Eligible Assets, Substitution Assets and/or Liquid Assets, in accordance with articles 1260 and following of the Civil Code or in accordance with article 58 of the Consolidated Banking Act, as the case may be, transferred to the Guarantor under the Master Receivables Purchase Agreement in the following circumstances:

(a) to repurchase Excess Receivables (to be selected on a random basis);

(b) to repurchase any Non Performing Receivables;

(c) to repurchase Receivables arising from Mortgage Loans which have become non-eligible in accordance with the Bank of Italy Regulations;

(d) to repurchase Affected Receivables; or

(e) to repurchase any other Eligible Asset, Substitution Asset and/or Liquid Asset provided that, as a consequence of such repurchase, the Tests and the Liquidity Buffer Requirement are met.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor may or, following an Issuer Default Notice, shall sell Selected Assets included in the Cover Pool in accordance with the terms of the Cover Pool Management Agreement and the Seller, pursuant to the relevant Master Receivables Purchase Agreement, has the right of pre-emption to buy such Selected Assets.

The transfer of the Initial Portfolio and each Subsequent Portfolios by the Seller were and will be made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of the Securitisation and Covered Bonds Law). Notice of the relevant assignments were and will be published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and filed for publication in the Companies' Register (*registro delle imprese*) of Rome.

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

Governing law

The Master Receivables Purchase Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

WARRANTY AND INDEMNITY AGREEMENT

The Seller entered into a Warranty and Indemnity Agreement with the Guarantor, as amended, supplemented or restated from time to time, pursuant to which the Seller has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the relevant Receivables, the Real Estate Assets and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the relevant Receivables.

The Warranty and Indemnity Agreement contains representations and warranties given by the Seller as to matters of law and fact affecting the Seller including, without limitation, that the Seller validly exists as a legal entity, has the corporate authority and power to enter into the Transaction Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

The Warranty and Indemnity Agreement sets out standard representations and warranties in respect of the Receivables including, *inter alia*, that, as of the date of execution of the relevant Warranty and Indemnity Agreement:

(a) the Receivables comprised in the Initial Portfolio are valid, in existence and in compliance with the Criteria;

(b) each Mortgage Loan Agreement, as amended and/or supplemented even pursuant to a burden deed (*atto di accollo*) has been entered into, executed and performed and the advance of each Mortgage Loan has been made in compliance with all applicable laws,

rules and regulations, including, without limitation, all laws, rules and regulations relating to *credito fondiario*, usury, personal data protection and disclosure in force at the time, as well as in accordance with commercial practice, including origination guidelines and lending policies and procedures adopted from time to time by Banco BPM;

(c) each authorisation, approval, consent, license, registration, recording, filing, presentation, or notarisation or other action which is required to ensure the validity, legality, or effectiveness of the rights and obligations of the relevant parties to each Mortgage Loan Agreement, Mortgage, Collateral Security or of any other agreement, deed or document relating thereto, has been duly and unconditionally obtained, made or taken by the time of execution of each Mortgage Loan Agreement, Mortgage and Collateral Security and other agreement, deed or document relating thereto, or by such other time as is required by any applicable law;

(d) each Mortgage Loan has been fully and timely advanced and drawn down by the relevant Debtor, as evidenced by the relevant disbursement agreements and the relevant receipts, and there is no obligation on the part of Banco BPM to advance or disburse further amounts in connection with the relevant Mortgage Loan;

(e) each Mortgage Loan Agreement has been entered into substantially in the form of the Banco BPM's standard form agreement as adopted from time to time. No Mortgage Loan Agreement has been substantially amended with respect to the Seller's standard form agreement from the date of its execution;

(f) all Mortgage Loans were granted in accordance with the criteria set out in the Banco BPM's origination and underwriting procedures applicable from time to time or, in relation to Mortgage Loans purchased by a Banco BPM from different banks, in accordance with the criteria of the relevant originator, substantially in line with Banco BPM's criteria. For any Mortgage Loan granted on the basis of an appraisal carried out by an external appraiser (i.e. not a in-house appraiser of Banco BPM), such appraiser's fee was not conditional or subordinated to the approval of such Mortgage Loan Agreement and, to the best of the Banco BPM's knowledge, having taken all reasonable care to ensure that such is the case, such appraiser at no time had any direct or indirect interest in the related Real Estate Asset and Mortgage Loan Agreements;

(g) each Mortgage is economically a first ranking mortgage (*ipoteca di primo grado*), i.e. (i) a first ranking priority mortgage (*ipoteca di primo grado*), or (ii) (A) a voluntary second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is Banco BPM and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied and the relevant lender has formally consented to the cancellation of the mortgage(s) ranking prior to such subsequent mortgage, or (iii) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is the Seller who, or whose obligations, are secured by such second or subsequent ranking priority mortgages arise from Mortgage Loans transferred to the Guarantor. There are no other mortgages in relation to the Real Estate

Assets in favour of third parties which rank *pari passu* with or in priority to the Mortgages;

(h) each Receivable is fully and unconditionally owned by, and available to, Banco BPM and is not subject to any lien (*pignoramento*), seizure (*sequestro*) or other charges in favour of any third party and is freely transferable to the Guarantor. Banco BPM holds sole and unencumbered legal title to each of the Mortgage Loan Agreements and it has not assigned (whether absolutely or by way of security), charged, transferred or otherwise disposed of any of the Mortgage Loan Agreements, the Mortgage Loans and/or the Receivables or otherwise created, allowed creation of, or constitution of any lien, pledge, encumbrance, or any other right, claim or beneficial interest of any third party on any of the Mortgage Loan Agreements, the Mortgage Loans and/or the Receivables;

(i) as of the Valuation Date, each Mortgage Loan is classified as performing (*in bonis*) and at least one Instalment has been paid;

(j) as of the Valuation Date, no Mortgage Loan falls within the definition of a defaulted debt (*credito in sofferenza*), unlikely to pay debt (*inadempienze probabili*) or a debt that is in the process of being restructured (*credito in corso di ristrutturazione*) (as subsequently replaced by the definition of "*sofferenza*", "*inadempienza probabile*" o "*esposizione scaduta e/o sconfinante deteriorata*") under the Bank of Italy supervisory regulations (*Istruzioni di Vigilanza*) or under the Credit and Collection Policy;

(k) the books, the records, data and the documents relating to the Mortgage Loan Agreements and the Receivables, all instalments and any other amounts paid or repaid thereunder are in all material respects complete, proper and up to date, and all such books, records, data and documents are kept by and available to Banco BPM;

(l) all the Real Estate Assets were existing and fully owned by the relevant Mortgagors at the time the Mortgage was perfected;

(m) the Insurance Policies are in full force, valid and regulated by Italian law and Banco BPM has the right to require that all payments to be made pursuant to the relevant Insurance Policies are made directly to it or any of its assignees different from the relevant Debtor and that all the interests and rights in favour of the relevant Debtor arising from the Insurance Policies can be assigned to the Guarantor without affecting the validity of each Insurance Policy;

(n) at the relevant Valuation Date, each of the Real Estate Assets was completed and not under construction. Each Real Estate Asset was constructed in full compliance with all applicable planning and building laws and regulations (*legislazione edilizia, urbanistica e vincolistica*) or where it did not comply a petition of amnesty with reference to any existing irregularity had been duly filed with the competent authorities. As at the relevant Valuation Date, each Real Estate Asset was marketable (*non soggetto a vizio di incommerciabilità*) and was not otherwise subject to defects (*vizi*) pursuant to Law n. 47 of 28 February 1985 (*Norme in materia di controllo dell'attività urbanistico-edilizia, recupero e sanatoria delle opere edilizie*), Law n. 146 of 12 April 1995 (*Ratifica ed esecuzione del protocollo alla convenzione sull'inquinamento atmosferico transfrontaliero*) and Law n. 298 of 21 June 1985 (*Conversione in legge, con modificazioni, del D.L. 23 aprile 1985 n. 146, recante proroga di taluni termini di cui*

alla L. 28 febbraio 1985 n. 47, concernente norme in materia di controllo dell'attività urbanistico-edilizia, sanzioni recupero e sanatoria delle opere abusive), as subsequently amended and/or supplemented and/or extended, or any other relevant legislation.pursuant to the Master Receivables Purchase Agreement, the rights arising from the Insurance Policies have been duly transferred to the Guarantor. Such transfer is valid and opposable to Banco BPM and any other third party;

(o) each Real Estate Asset is located in Italy; and

(p) the value of the relevant Real Estate Asset is at least equal 150% of the Principal Balance of the relevant Mortgage Loan as of the date of origination;

(q) in relation to the Mortgage Loans originated by Banco BPM, Banco BPM has complied with the provisions of First Part, Title IV, Chapter 3, Schedule A of the Bank of Italy Regulations;

(r) in relation to the Mortgage Loans originated by Banco BPM, in order to comply with the requirements provided for by article 7-*novies*, paragraph 2, letter a), of the Securitisation and Covered Bonds Law, Banco BPM applies the procedures, processes and evaluation criteria it adopts for the recognition of collateral for prudential purposes as a credit risk mitigation technique;

(s) for the valuation of the market value of the Real Estate Assets, without prejudice to compliance with the provisions of the prudential rules referred to in paragraph (r) above, Banco BPM also applies in particular the provisions of paragraph 2.2 "*Valutazione degli immobili posti a garanzia delle esposizioni*" (Valuation of properties used as collateral for exposures) of Part I, Title IV, Chapter 3, Annex A of the Bank of Italy Regulations.

Pursuant to the Warranty and Indemnity Agreement, the Seller has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, (a) a default by Banco BPM in the performance of any of its obligations under any Transaction Document to which it is a party; (b) any representation and warranty given by Banco BPM under or pursuant to the Warranty and Indemnity Agreement being false, incomplete or incorrect; (c) any alleged liability and/or claim raised by any third party against the Guarantor, as owner of the Receivables, which arises out of any negligent act or omission by the Seller in relation to the relevant Receivables, the servicing and collection thereof or from any failure by the Seller to perform its obligations under any of the Transaction Documents to which it is, or will become, a party; (d) the non compliance of the terms and conditions of any Mortgage Loan with the provisions of article 1283 of the Civil Code; (e) the fact that the validity or effectiveness of any security, pledge, collateral or other security interest, relating to the Mortgage Loans, has been challenged by way of claw-back (*azione revocatoria*) or otherwise, including, without limitation, pursuant to article 166 of the Italian Insolvency Code; (f) the fact that Banco BPM has (in whole or in part) cancelled, released, reduced or waived any Mortgage or Collateral Security existing as of the Effective Date other than in compliance with the Consolidated Banking Act or any other laws and regulations in forcefrom time to time; (g) any amount of any Receivable not being collected or recovered by the Guarantor as a consequence of the proper and legal exercise by any Debtor and/or insolvency receiver of a Debtor of any grounded right to termination, annullability or withdrawal, or other claims and/or counterclaims, including set off, against the relevant Seller

in relation to each relevant Mortgage Loan Agreement, Mortgage Loan, Mortgage, Collateral Security and any other connected act or document, including, without limitation, any claim and/or counterclaim deriving from non compliance with the Usury Law provisions in the granting of the Mortgage Loan.

Governing law

The Warranty and Indemnity Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

SERVICING AGREEMENT

On 9 June 2008, BPM and the Guarantor entered into the Servicing Agreement, as amended, supplemented or restated from time to time, pursuant to which the Guarantor has appointed Banco BPM (formerly Banca Popolare di Milano S.c.a r.l.) as Servicer of the Receivables. The receipt of the Collections is the responsibility of the Servicer acting as agent (*mandatario*) of the Guarantor. The Servicer will also act as the *soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento* pursuant to the Securitisation and Covered Bonds Law. In such capacity, the Servicer shall also be responsible for ensuring that such operations comply with the provisions of articles 2.3, letter (c), and 2.6 of the Securitisation and Covered Bonds Law. On 9 May 2017 the Servicer has appointed Banco BPM S.p.A., which accepted, to act as Sub-Servicer in relation to the Cover Pool (to the extent that, and limited to, the Receivables sold by Banco BPM S.p.A. (formerly, BPM S.p.A.) to the Guarantor in its capacity as Seller).

In case of accession of Additional Seller(s) to the Programme, the Servicer may sub-delegate any Additional Seller(s) (if any), in its capacity as Sub-Servicer in the management, administration, collection and recovery of the Eligible Assets, Substitution Assets and/or Liquid Assets, comprised in each relevant Portfolio which will be assigned and transferred in the context of the Programme pursuant to the Master Receivables Purchase Agreement, subject to the limitations set out in the supervisory regulations and with the prior written notice to the Guarantor, the Representative of the Bondholders, the Asset Monitor and the Rating Agency, provided that such sub-delegation does not prejudice the compliance by the Servicer with its obligations under the Servicing Agreement. The Servicer will be responsible for the fulfilment of the obligations undertaken by it under the Servicing Agreement and will not be responsible, in express derogation of the provisions of article 1717, second paragraph, of the Italian Civil Code, for the actions undertaken by the Sub-Servicers, which will, on their part, be responsible for the fulfilment of the obligations undertaken by them under the Servicing Agreement. Notwithstanding the above, the Servicer undertakes to remedy any breach of the provisions of the Servicing Agreement resulting from an action by, or a failure to act on the part of, such Sub-Servicers, in performing any of the activities sub-delegated to them by the Servicer within 30 Business Days from the discovery of such breach.

On 19 April 2018 Banco BPM acceded to the Servicing Agreement in the capacity as Sub-Servicer.

Under the Servicing Agreement, the Servicer and the Sub-Servicer(s) (if any), as the case may be, shall credit to the relevant Collection Account any amounts collected from the Eligible Assets, Substitution Assets and/or Liquid Assets (i) within the same Business Day upon receipt if such sums are received by the Servicer or the relevant Sub-Servicers before 15.00 p.m. or (ii)

within the following Business Day if such sums are received by the Servicer or the relevant Sub-Servicers after 15.00 p.m..

Each of the Servicer and the Sub-Servicer(s) (if any), each in respect of the Receivables, has been authorised to reach with the Debtors any settlement agreements or payment extensions or moratorium or similar arrangements (including any renegotiation in relation to the margin), in accordance with the provisions of the Credit and Collection Policy, however, following the delivery of an Issuer Default Notice the Servicer and the Sub-Servicer(s) will not be authorised, with respect to the performing Receivables (*in bonis*), to reach with any Debtors thereof any extension of the maturity or any modification of the margin originally agreed in the relevant Mortgage Loan Agreement.

The Servicer and the Sub-Servicer(s) (if any), each in relation to its servicing activities pursuant to the Servicing Agreement, has confirmed its willingness to be the autonomous holder (*titolare autonomo del trattamento dei dati personali*) together with the Guarantor, for the processing of personal data in relation to the Receivables, pursuant to the Privacy Law and to be responsible, in such capacity, for processing such data.

Each of the Servicer and the Sub-Servicer(s) has represented to the Guarantor that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Servicing Agreement.

The Servicer has undertaken to prepare and deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Representative of the Bondholders, the Principal Paying Agent and the Guarantor Corporate Servicer, the Quarterly Servicer's Report (the latter will be delivered, in addition to the above entities, to the Rating Agency).

Each Sub-Servicer has undertaken to prepare and deliver to the Servicer the Quarterly Servicer's Report.

Upon (i) the rating of the Servicer's long term unguaranteed, unsubordinated and unsecured obligation falling below Ba3(cr) by Moody's, and (ii) termination of the appointment of the Back-up Servicer, the Guarantor, subject to prior consultation with the Representative of the Bondholders and the Servicer, shall, within 30 days from the abovementioned events, appoint such Back-up Servicer meeting the requirements under Clause 9.4 of the Servicing Agreement.

The Back-up Servicer shall automatically succeed to Servicer upon occurrence of a Servicer Termination Event (as defined below).

If the long term counterparty risk assessment rating of the Servicer falls below "Ba3(cr)" by Moody's and provided that no Moody's Potential Commingling Amount is deducted in the Asset Coverage Test in accordance with the Cover Pool Management Agreement, the Servicer (i) shall immediately give notice of such event to the Representative of the Bondholders, the Calculation Agent, the Sub-Servicer and the Guarantor; and (ii) shall, alternatively:

(a) notify in writing the Debtors with the details of the new account opened in name of the Guarantor with an Eligible Institution where any payments in respect of the Receivables and any other Eligible Assets, Substitution Assets and/or Liquid Asssets shall be made; or

(b) procure and maintain a first demand and irrevocable guarantee granted by an Eligible Institution to the Guarantor in order to guarantee the due and timely performance of the obligations of the Servicer and the Sub-Servicer to transfer the Collections the Servicing Agreement; or

(c) deposit and maintain with an Eligible Institution an amount of cash or Eligible Investments equal to 1.4% of aggregate outstanding principal balance of the Receivables included in the Cover Pool.

The Guarantor may terminate the Servicer's appointment and appoint a successor servicer (the **Substitute Servicer**) if certain events occur (each a **Servicer Termination Event**). The Servicer Termination Events include the following events:

(a) failure (not attributable to force majeure) on the part of the Servicer to deposit or pay any amount required to be paid or deposited which failure continues for a period of 5 Business Days following receipt by the Servicer of a written notice from the Guarantor requiring the relevant amount to be paid or deposited;

(b) failure on the part of the Servicer to observe or perform any other term, condition, covenant or agreement provided for under the Servicing Agreement and the other Transaction Documents to which it is a party, and the continuation of such failure for a period of 5 Business Days following receipt by the Servicer of written notice from the Guarantor, provided that a failure ascribable to any entities delegated by the Servicer in accordance with the Servicing Agreement shall not constitute a Servicer Termination Event;

(c) an Insolvency Event occurs with respect to the Servicer;

(d) it becomes unlawful for the Servicer to perform or comply with any of its obligations under the Servicing Agreement or the other Transaction Documents to which it is a party;

(e) the Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's regulations for entities acting as servicers in the context of a securitisation/covered bonds transaction.

Notice of any termination of the Servicer's appointment shall be given in writing, in accordance with the provisions of the Servicing Agreement, by the Guarantor to the Servicer with the prior agreement of the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the appointment of a Substitute Servicer becomes effective.

(a) The Guarantor may, upon the occurrence of a Servicer Termination Event, appoint as Substitute Servicer any person:

(b) who meets the requirements of the Securitisation and Covered Bonds Law and the Bank of Italy to act as Servicer;

(c) who has at least three years of experience (whether directly or through subsidiaries) in the administration of mortgage loans in Italy;

(d) who has available and is able to use software for the administration of mortgages compatible with that of the Servicer;

(e) who is able to ensure, directly or indirectly, the efficient and professional maintenance of a computerised archive system (*Archivio Unico Informatico*) as required by Italian anti money-laundering legislation and, if such legislation requires, the production of such information as is necessary to meet the information requirements of the Bank of Italy; and

(f) has sufficient assets to ensure the continuous and effective performance of its duties.

Pursuant to the Servicing Agreement the Servicer shall not be entitled to resign from its appointment as Servicer prior to the Expiry Date.

The Guarantor may terminate each Sub-Servicer, and thereafter the Servicer will succeed to the terminated Sub-Servicer, if certain events occur (each, a **Sub-Servicer Termination Event**):

(a) failure to observe or perform duties under specified clauses of the Servicing Agreement and the continuation of such failure for a period of 10 (ten) Business Days following receipt of written notice from the Guarantor;

(b) an Insolvency Event occurs with respect to the Sub-Servicer;

(c) it becomes unlawful for the Sub-Servicer to perform or comply with any of its obligations under the Servicing Agreement.

Notice of any termination of each Sub-Servicer's appointment shall be given in writing by the Guarantor to the relevant Sub-Servicer, to the Servicer and to the Issuer with the prior written notice to the Representative of the Bondholders and shall be effective from the date of such termination or, if later, when the Servicer succeeds the relevant Sub-Servicer's obligations pursuant to the Servicing Agreement. The Sub-Servicer must continue to act as such and meet its obligations under the Servicing Agreement unless and until the Servicer succeeds to the Sub-Servicer's obligations.

Governing law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CASH ALLOCATION, MANAGEMENT AND PAYMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Servicer, the Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders entered into the Cash Allocation, Management and Payment Agreement, as amended, supplemented or restated from time to time.

On 19 April 2018 Banco BPM acceded to the Cash Allocation, Management and Payment Agreement.

Under the terms of the Cash Allocation, Management and Payment Agreement:

(a) the Account Bank has established in the name and on behalf of the Guarantor, the Collection Account, the Transaction Account, the Investment Account, the Quota

Capital Account, the Reserve Account, the Securities Account and the Expenses Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition, the Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

(b) The Guarantor Administrative Servicer has agreed to operate the Expenses Account in order to make certain payments as set out in the Cash Allocation, Management and Payment Agreement.

(c) The Principal Paying Agent has agreed to provide the Issuer and the Guarantor with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payment Agreement.

(d) The Calculation Agent has agreed to provide the Guarantor with calculation services with respect to the Accounts and the Guarantor Available Funds and calculation services with respect to the Floating Rate Provisions.

(e) The Investment Manager has agreed to invest on behalf of the Guarantor any funds standing to the credit of the Investment Account in Eligible Investments having a rate of return not less than a specified margin linked to Euribor.

The Guarantor may (with the prior approval of the Representative of the Bondholders) revoke its appointment of any Agent by giving not less than three months' (or less, in the event of a breach of warranties and covenants) written notice to the relevant Agent (with a copy to the Representative of the Bondholders), regardless of whether an Issuer Event of Default or a Guarantor Event of Default has occurred. Prior to the delivery of an Issuer Default Notice, the Issuer may revoke its appointment of the Principal Paying Agent, by giving not less than three months' (or less in the event of a breach of warranties and covenants) written notice to the Principal Paying Agent (with a copy to the Representative of the Bondholders). Any Agent may resign from its appointment under the Cash Allocation, Management and Payment Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payment Agreement, provided that a valid substitute has been appointed.

Governing law

The Cash Allocation, Management and Payment Agreement and any non-contractual obligations arising out of or in connection with them are governed by Italian law.

THE SWAP AGREEMENTS

INTEREST RATE SWAP AGREEMENTS

The Guarantor has entered and is expected to enter into one or more Interest Rate Swap Agreements on or about each Issue Date with the Interest Rate Swap Provider(s) to mitigate certain interest rate, currency and other risks in respect of amounts received by the Guarantor under the Cover Pool Management Agreement and the Cover Pool Swap Agreement (if any)

and amounts payable by the Guarantor under, prior to the service of an Issuer Default Notice, the Term Loan and, following the service of an Issuer Default Notice, the Covered Bonds. The aggregate notional amount of the Interest Rate Swap Agreements entered into in respect of each issue shall be equal to the nominal amount of the relevant Series of Covered Bonds.

Under the Interest Rate Swap Agreements it is anticipated that on each Guarantor Payment Date, the Guarantor will pay to the Interest Rate Swap Providers an amount linked to a variable reference rate such as three month EURIBOR plus a margin. In return the Interest Rate Swap Providers are expected to pay to the Guarantor on each Interest Payment Date, the notional amount multiplied by a rate linked to the relevant Series of Covered Bonds. If the maturity of the relevant Series of Covered Bonds is extended in accordance with their terms, the Interest Rate Swap Providers will on a monthly basis pay an amount linked to a variable reference rate.

It is anticipated that each Iterest Rate Swap Agreement will be scheduled to terminate on the date which is the later of (i) the Maturity Date of the Covered Bonds of the relevant Series and (ii) if the Maturity Date is extended under the terms of such Covered Bonds, their Extended Maturity Date.

COVER POOL SWAP AGREEMENT

Some of the Mortgage Loans in the Portfolio from time to time will pay a variable rate of interest for a period of time. Other Mortgage Loans will pay a fixed rate of interest for a period of time. Moreover, all other assets held by the Guarantor will pay different rates of return, either fixed or variable. However, the payments to be made by the Guarantor under each of the Interest Rate Swap Agreements are expected to be based on EURIBOR and, in addition, the Guarantor's obligations to make interest payments under the outstanding Term Loans, or (following service of an Issuer Default Notice) the Guarantee, may be based on EURIBOR.

As a result, the Guarantor may, but is not obliged to, enter into a Cover Pool Swap Agreement with the Cover Pool Swap Provider to mitigate variations between the rate of interest payable on (i) Mortgage Loans in the Cover Pool (ii) the outstanding balance of the Accounts, (iii) the Substitution Assets and (iv) the Eligible Investments held by the Guarantor, on one hand, and EURIBOR, on the other hand. The aggregate notional amount of the Cover Pool Swap Agreement shall be the value of the Cover Pool. The Guarantor shall pay to the Cover Pool Swap Provider the interest proceeds it receives on the Cover Pool (both fixed and floating) and receive back three month EURIBOR plus a margin.

As at the date of this Prospectus, the Guarantor has not entered into any Cover Pool Swap Agreements.

MANDATE AGREEMENT

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Mandate Agreement, as amended, supplemented or restated from time to time, under which, subject to a Guarantor Default Notice being served or upon failure by the Guarantor to exercise its rights under the Transaction Documents and fulfilment of certain conditions, the Representative of the Bondholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Guarantor, all the Guarantor's non-monetary rights arising out of the Transaction Documents to which the Guarantor is a party.

Governing law

The Mandate Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

INTERCREDITOR AGREEMENT

On or about the First Issue Date, the Guarantor and the Other Guarantor Creditors entered into the Intercreditor Agreement, as amended, supplemented or restated from time to time. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Bondholders will be entitled, in the interest of the Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the Transaction Documents.

In the Intercreditor Agreement the Other Guarantor Creditors have agreed, *inter alia*: (i) to the order of priority of payments to be made out of the Guarantor Available Funds; (ii) that the obligations owed by the Guarantor to the Bondholders and, in general, to the Other Guarantor Creditors are limited recourse obligations of the Guarantor; and (iii) that the Bondholders and the Other Guarantor Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

On 19 April 2018 Banco BPM acceded to the Intercreditor Agreement.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Default Notice, to comply with all directions of the Representative of the Bondholders, acting pursuant to the Terms and Conditions, in relation to the management and administration of the Cover Pool.

Each of the Other Guarantor Creditors has agreed in the Intercreditor Agreement that in the exercise of its powers, authorities, duties and discretions the Representative of the Bondholders shall have regard to the interests of both the Bondholders and the Other Guarantor Creditors but if, in the opinion of the Representative of the Bondholders, there is a conflict between their interests the Representative of the Bondholders will have regard solely to the interests of the Bondholders. The actions of the Representative of the Bondholders will be binding on each of the Other Guarantor Creditors.

Under the Intercreditor Agreement, each of the Other Guarantor Creditors has appointed the Representative of the Bondholders, as their agent (*mandatario con rappresentanz*a), so that the Representative of the Bondholders may, in their name and behalf and also in the interests of and for the benefit of the Bondholders (who make a similar appointment pursuant to the Programme Agreement and the Conditions), *inter alia*, enter into the Deed of Pledge and the Deed of Charge. In such capacity, the Representative of the Bondholders, with effect from the date when the Covered Bonds have become due and payable (following a claim to the Guarantor or a demand under the Guarantee in the case of an Issuer Event of Default or Guarantor Event of Default or the enforcement of the Guarantee if so instructed by the Bondholders or the exercise any other rights of enforcement conferred to the Representative of the Bondholders), may exercise all of the Bondholders and Other Guarantor Creditors' right, title and interest in and to and in respect of the assets charged under the Deed of Pledge and the Deed of Charge and do any act, matter or thing which the Representative of the Bondholders considers necessary for the protection of the Bondholders and Other Guarantor Creditors' rights under any of the Transaction Documents including the power to receive from the Issuer or the Guarantor any and all moneys payable by the Issuer or the Guarantor to any Bondholder

or Other Guarantor Creditors. In any event, the Representative of the Bondholders shall not be bound to take any of the above steps unless it has been indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

Governing law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

CORPORATE SERVICES AGREEMENT

Under the Corporate Services Agreement entered into on or about the First Issue Date between the Guarantor Corporate Servicer and the Guarantor, as amended, supplemented or restated from time to time, the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

ADMINISTRATIVE SERVICES AGREEMENT

On 22 October 2021, the Guarantor Administrative Servicer and the Guarantor entered into the Administrative Services Agreement, as amended, supplemented or restated from time to time, pursuant to which the Guarantor Administrative Servicer has agreed to provide certain administrative services to the Guarantor.

Governing law

The Administrative Services Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

PROGRAMME AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Representative of the Bondholders and the Dealer(s), entered into the Programme Agreement, as amended, supplemented or restated from time to time, pursuant to which the parties thereof have recorded the arrangements agreed between them in relation to the issue by the Issuer and the subscription by the Dealer(s) from time to time of Covered Bonds issued under the Programme.

On 19 April 2018 Banco BPM acceded to the Programme Agreement.

Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Unless otherwise agreed, neither the Issuer nor any Dealer(s) is, are or shall be, in accordance with the terms of the Programme Agreement, under any obligation to issue or subscribe for any Covered Bonds of any Series.

Pursuant to the Programme Agreement, before the Issuer reaches its first agreement with any Dealer for the issue and purchase of the first Series of Covered Bonds under the Programme, each Dealer shall have received, and found satisfactory (in its reasonable opinion), all of the documents and confirmations described in schedule 1 (*Initial Conditions Precedent*) of the Programme Agreement constituting the initial conditions precedent and the conditions precedent set out under Clause 3.2 (*Conditions precedent to the issue of any Series of Covered Bonds*) of the Programme Agreement, as applicable to the first Series, shall have been satisfied.

According to the terms of the Programme Agreement, the Issuer may nominate any institution as a new Dealer in respect of the Programme or nominate any institution as a new Dealer only in relation to a particular Series of Covered Bonds upon satisfaction of certain conditions set out in the Programme Agreement.

In addition, under the Programme Agreement, the parties thereof have agreed to certain terms regulating, *inter alia*, the performance of any stabilisation action which may be carried out in connection with the issue of any Series of Covered Bonds.

Governing law

The Programme Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

COVER POOL MANAGEMENT AGREEMENT

On or about the First Issue Date, the Issuer, the Guarantor, the Calculation Agent and the Representative of the Bondholders entered into the Cover Pool Management Agreement, as amended, supplemented or restated from time to time pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests and the purchase and sale by the Guarantor of the Eligible Assets, the Substitution Assets and the Liquid Assets included in the Cover Pool.

On 19 April 2014 Banco BPM acceded to the Cover Pool Management Agreement.

Under the Cover Pool Management Agreement the Issuer has undertaken to procure that on any Calculation Date each of the Mandatory Tests and the Amortisation Test (as described in detail in Section "*Credit Structure - Tests*" below) is met with respect to the Cover Pool. In addition, starting from the Issue Date of the first Series of Covered Bonds and until the earlier of (i) the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Terms and Conditions, and (ii) the date on which an Issuer Default Notice is served on the Issuer and the Guarantor, the Issuer has undertaken to procure that on any Calculation Date, the Asset Coverage Test (as described in detail in Section "*Credit Structure - Tests*" below) are met with respect to the Eligible Cover Pool.

For the purposes of article 129 of the CRR, the aggregate amount of the Substitution Assets and the Liquid Assets included in the Cover Pool shall not be in excess of the Integration Limits set out in the Cover Pool Management Agreement. Any Substitution Assets and/or Liquid Assets in excess of the Integration Limits would not be computed for the purposes of the calculation of the Tests.

For so long as any Series of Covered Bonds remains outstanding, the Issuer shall ensure that, on a continuing basis, the amount of Liquid Assets comprised in the Cover Pool is equal to or higher than the Liquidity Buffer Requirement. The Liquid Assets comprised in the Cover Pool shall be considered to contribute to the Eligible Cover Pool, provided that such assets satisfy the requirements to qualify as eligible assets set forth in article 7-*novies*, paragraph 1, letter a), of the Securitisation and Covered Bonds Law.

The Calculation Agent has agreed to prepare and deliver to the Issuer, the Additional Seller(s) (if any), the Guarantor, the Servicer, the Representative of the Bondholders and the Asset Monitor, a report setting out the calculations carried out by it with respect of the Mandatory Tests and the Amortisation Test and, prior to the delivery of an Issuer Default Notice, the Asset Coverage Test (the **Test Performance Report**). Such report shall specify the occurrence of a breach of the Mandatory Tests and/or the Amortisation Test and/or of the Asset Coverage Test.

Following the notification by the Calculation Agent, in the relevant Test Performance Report, of a breach of any Test, the Guarantor will purchase (with the proceeds of any appropriate Term Loan advanced by the Issuer (and/or any Additional Seller, if any) in accordance with the relevant Subordinated Loan Agreement) Subsequent Portfolios from the Seller (and/or any Additional Seller, if any) in accordance with the Master Receivables Purchase Agreement and/or purchase, or invest in, Eligible Assets, Substitution Assets and/or Liquid Assets, in order to ensure that, within the Test Grace Period, all Tests are satisfied with respect to the Cover Pool.

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders shall deliver:

(a) a Breach of Tests Notice to the Issuer and the Guarantor; or

(b) a Guarantor Default Notice, if an Issuer Default Notice has already been served and is outstanding.

Under the Cover Pool Management Agreement, the parties thereof have also agreed the conditions that the Guarantor shall comply with in the selection of the assets to be purchased. For such purpose the Guarantor will:

(a) give priority to the purchase of Subsequent Portfolios of Eligible Assets, Substitution Assets and/or Liquid Assets from the Seller (and/or any Additional Seller, if any); and

(b) to the extent that the Seller (and/or any Additional Seller) inform the Guarantor that the Receivables available for sale to the Guarantor prior to the expiry of the relevant Test Grace Period are not sufficient for the purpose of allowing the Tests to be met as of the following Calculation Date, the Guarantor will:

    (i) purchase other Eligible Assets, Substitution Assets and/or Liquid Assets from the Seller (and/or the Additional Seller(s) (if any)) (as the case may be); and

    (ii) to the extent the Substitution Assets purchased in accordance with item (a) above are insufficient, purchase Substitution Assets and/or Liquid Assets from other entities.

After the service of a Breach of Tests Notice or of an Issuer Default Notice on the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor (or the Servicer on behalf of the Guarantor) may, or following an Issuer Default Notice, shall sell, provided that the Representative of the Bondholders has been duly informed, the Eligible Assets, Substitution Assets and/or Liquid Assets included in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to the rights of pre-emption in favour of the Seller to buy such Eligible Assets and Substitution Assets pursuant to, respectively, the Master Receivables Purchase Agreement and the Cover Pool Management Agreement.

The Eligible Assets, Substitution Assets and/or Liquid Assets to be sold will be selected from the Cover Pool on a random basis by the Servicer on behalf of the Guarantor (any such Eligible Assets, Substitution Assets and/or Liquid Assets, the **Selected Assets**) and the proceeds from any sale of Selected Assets shall be credited to the Transaction Account and applied as set out in the applicable Priority of Payments.

Under the terms of the Cover Pool Management Agreement, before offering Selected Assets for sale, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance in an amount (the **Adjusted Required Outstanding Principal Balance Amount**) which is as close as possible to:

(a) following the service of an Breach of Tests Notice (but prior to service of an Issuer Default Notice), such amount that would ensure that, if the Selected Assets were sold at their Outstanding Principal Balance plus the interest in arrears and Accrued Interest thereon, the relevant Test would be satisfied on the next Calculation Date taking into account the payment obligations of the Guarantor on the Guarantor Payment Date following that Calculation Date (assuming for this purpose that the Breach of Tests Notice is not revoked on the next Calculation Date);

(b) following the service of an Issuer Default Notice:

  (i) the Euro Equivalent of the Principal Amount Outstanding in respect of the Earliest Maturing Covered Bonds, multiplied by 1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365) (the **Required Redemption Amount**); *minus*

  (ii) amounts standing to the credit of the Accounts; *minus*

  (iii) the EUR Equivalent of the principal amount of any Substitution Assets, Liquid Assets and Eligible Investments, *plus or minus*

  (iv) as applicable, any swap termination amounts payable under the Swap Agreements to or by the Guarantor in respect of the relevant Series of Covered Bonds,

excluding, with respect to items (a) and (b) above all amounts estimated to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which become due prior to or on the same date as the Earliest Maturing Covered Bonds.

The Guarantor will offer the Selected Assets for sale for the best price reasonably available but in any event for an amount not less than the Adjusted Required Outstanding Principal Balance

Amount. If the Selected Assets have not been sold in an amount equal to the Adjusted Required Outstanding Principal Balance Amount by the date which is six months prior to, as applicable, the Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date) of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Outstanding Principal Balance Amount.

In addition, after the delivery of an Issuer Default Notice, the Guarantor may, upon the evaluation carried out by the Portfolio Manager taking into account the then relevant market conditions, sell or liquidate Selected Assets for an amount equal to the Adjusted Required Outstanding Principal Balance Amount calculated in respect of any other Series of Covered Bonds then outstanding, rather than in respect of the Earliest Maturing Covered Bonds only.

The Guarantor may offer for sale part of any portfolio of Selected Assets (a **Partial Portfolio**). Except in certain circumstances, the sale price of the Partial Portfolio (as a proportion of the Adjusted Required Outstanding Principal Balance Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Assets.

With respect to any sale to be carried out in accordance with the Cover Pool Management Agreement, the Guarantor shall instruct a recognised portfolio manager (which shall be appointed through a tender process) (the **Portfolio Manager**) to endeavour - to the extent possible taking into account the time left before the Maturity Date or Extended Maturity Date (if applicable) of the Earliest Maturing Covered Bonds - to advise in relation to the sale of the Selected Assets included in the Cover Pool.

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

Under the Cover Pool Management Agreement, following the delivery by the Representative of the Bondholders of a Guarantor Default Notice, the Guarantor shall immediately sell all Eligible Assets and Substitution Assets included in the Cover Pool in accordance with the procedures described above and set out in the Cover Pool Management Agreement, provided that the Guarantor will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

Pursuant to the Cover Pool Management Agreement, prior to the occurrence of a Segregation Event, or if earlier, an Issuer Event of Default, the Seller (and/or the Additional Seller(s) (if any)) will have the right to repurchase any Excess Assets transferred to the Guarantor provided

that, (a) any such purchase will not cause any Test to be breached and the Liquidity Buffer Requirement will continue to be met, (b) the Seller shall repurchase any Substitution Assets before any other Excess Assets and (c) any such purchase may occur in accordance with any relevant law, regulation or interpretation of any authority (including, for the avoidance of doubts, the Bank of Italy or the Ministry of Economy and Finance) which may be enacted with respect to the Securitisation and Covered Bonds Law, the Bank of Italy Regulations.

For further details, see Section "*Credit structure - Tests*" below.

Governing law

The Cover Pool Management Agreement any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DEED OF PLEDGE

On or about the First Issue Date, the Guarantor and the Representative of the Bondholders entered into the Deed of Pledge under which, without prejudice and in addition to any security, guarantee and other right provided by the Securitisation and Covered Bonds Law and the Deed of Charge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor has pledged in favour of the Bondholders and the Other Guarantor Creditors all monetary claims and rights and all the amount arising (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is or will be entitled to from time to time pursuant to certain Transaction Documents, with the exclusion of the Cover Pool and the Collections. The security created pursuant to the Deed of Pledge, as confirmed and extended from time to time, will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Pledge and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DEED OF CHARGE

On or about the First Issue Date, the Guarantor will enter into the Deed of Charge with the Representative of the Bondholders pursuant to which, without prejudice and in addition to any security, guarantees and other rights provided by the Securitisation and Covered Bonds Law and the Deed of Pledge securing the discharge of the Guarantor's obligations to the Bondholders and the Other Guarantor Creditors, the Guarantor will assign in favour of the Representative of the Bondholders as trustee for the Bondholders and the Other Guarantor Creditors all of its rights, benefits and interest under the Interest Rate Swap Agreement and any other English law governed Transaction Document that may from time to time be entered into. The security created pursuant to the Deed of Charge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Charge any non-contractual obligations arising out of or in connection with it are governed by English law.

ASSET MONITOR AGREEMENT

Please see Section “*The Asset Monitor*” below.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Guarantee until the occurrence of an Issuer Event of Default, service by the Representative of the Bondholders on the Issuer and on the Guarantor of an Issuer Default Notice or, if earlier, following the occurrence of a Guarantor Event of Default, service by the Representative of the Bondholders of a Guarantor Default Notice on the Guarantor. The Issuer will not be relying on payments by the Guarantor in respect of the Term Loans or receipt of Interest Available Funds or Principal Available Funds from the Cover Pool in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Bondholders, as follows:

- the Guarantee provides credit support for the benefit of the Beneficiaries;
- the Mandatory Tests and the Amortisation Test are intended to ensure that the Cover Pool is at all times sufficient to pay any interest and principal under the Covered Bonds;
- the Asset Coverage Test is intended to test the asset coverage of the Guarantor's assets in respect of the Covered Bonds prior the service of an Issuer Default Notice, applying for the purpose of such coverage an Asset Percentage factor determined in order to provide a degree of over-collateralization with respect to the Cover Pool;
- the Liquidity Buffer Requirement is intended to ensure that, on a continuing basis, the amount of Liquid Assets comprised in the Cover Pool is equal to or higher than the maximum cumulative Net Liquidity Outflow of the Programme over the next 180 days;
- the Swap Agreements (if any) are intended to mitigate certain interest rate, current or other risks in respect of amounts received and amounts payable by the Guarantor;
- a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds and will be maintained only as long as the Counterparty Risk Assessment of the Issuer's is below "Baa3(cr)" by the Rating Agency; and
- the Swap Agreements are intended to mitigate certain interest rate, current or other risks in respect of amounts received and amounts payable by the guarantor.
- a Reserve Account will be established which will build up over time using excess cash flow from Interest Available Funds and will be maintained only as long as the Issuer's rating is below "P-1" by Moody's; and
- under the terms of the Cash Allocation, Management and Payment Agreement, the Investment Manager has agreed to invest the moneys standing to the credit of the Transaction Accounts and the Reserve Account in purchasing Eligible Investments.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when the same become Due for Payment in respect of all Covered Bonds issued under the Programme. The Guarantee will not guarantee any other amount becoming payable in respect of the Covered Bonds for any other reason, including any accelerated payment pursuant to Condition 11.2 (*Issuer Event of Default*) following the delivery of an Issuer Default Notice. In this circumstance (and until a Guarantor Event of Default occurs and a Guarantor Default Notice is served), the Guarantor's obligations will only be to pay the Guaranteed Amounts as they fall Due for Payment. Payments to be made by the Guarantor under the Guarantee will be made subject to, and in accordance with, the relevant Priority of Payments, as applicable.

See further "*Description of the Transaction Documents - Guarantee*", as regards the terms of the Guarantee. See "*Cashflows - Guarantee Priority of Payments*", as regards the payment of amounts payable by the Guarantor to Bondholders and other creditors following the occurrence of an Issuer Event of Default.

Tests

Under the terms of the Cover Pool Management Agreement, the Issuer (and any Additional Seller(s), if any) must ensure that on each Calculation Date the Cover Pool is in compliance with the Tests described below. If on any Calculation Date the Cover Pool is not in compliance with the Tests, then the Guarantor may require the Issuer (and each Seller (on a joint and several basis)) to grant further Term Loans for the purposes of funding the purchase of Subsequent Portfolios or investments in Eligible Assets, Substitution Assets and/or Liquid Assets representing an amount sufficient to allow the Tests to be met on the next following Calculation Date, in accordance with, as appropriate, the Master Receivables Purchase Agreement. If the Cover Pool is not in compliance with the Tests on the next following Calculation Date, the Representative of the Bondholders will serve a Breach of Tests Notice on the Issuer and the Guarantor. The Representative of the Bondholders shall revoke the Breach of Tests Notice if on any Calculation Date the Tests are subsequently satisfied unless any other Segregation Event has occurred and is outstanding and without prejudice to the obligation of the Representative of the Bondholders to a subsequent Breach of Tests Notice. If following the delivery of a Breach of Tests Notice, the Tests are not met on, or prior to, the Calculation Date falling at the end of the Test Remedy Period, the Representative of the Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor.

Mandatory Tests

The Mandatory Tests are intended to ensure that the Guarantor can meet its obligations under the Guarantee. In order to ensure that the Mandatory Tests provided for under article 7-*undecies* of the Securitisation and Covered Bonds Law (the **Mandatory Tests**) are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Issuer (and any Additional Seller(s), if any) must always ensure that the three tests set out below are satisfied on each Calculation Date.

It is understood that:

(a) pursuant to article 7-*undecies*, paragraph 2, letter d) of the Securitisation and Covered Bonds Law, the calculation of the interest generated by the assets included in the Eligible Cover Pool and the interest due by the Issuer on the Covered Bonds outstanding shall be made on the basis of prudent criteria and criteria consistent with the applicable accounting principles; and

(b) pursuant to article 7-*undecies*, paragraph 2, letter f) of the Securitisation and Covered Bonds Law, the methodologies for the calculation of the numerator and denominator of the Mandatory Tests are based on criteria consistent with each other.

(A) ***Nominal Value Test***

The Issuer (and any Additional Seller(s), if any) must ensure that on each Calculation Date the aggregate Outstanding Principal Balance of the Eligible Cover Pool (excluding, for the avoidance of doubt, the Eligible Swap Agreement (if any)) is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date, provided that the Minimum Overcollateralisation Requirement shall at all times be met.

(B) ***Net Present Value Test***

The Issuer (and any Additional Seller, if any) must ensure that on each Calculation Date, the net present value of the Eligible Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limit transferred pursuant to the Master Receivables Purchase Agreement and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (including the payments of any nature expected to be received by the Guarantor with respect to any Eligible Swap Agreement (if any)), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected or due with respect to any Eligible Swap Agreement (if any) and the Expected Programme Unwinding Costs) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions.

(C) ***Interest Coverage Test***

The Issuer (and any Additional Seller, if any) must ensure that on each Calculation Date the amount of interest and other revenues generated by the assets included in the Eligible Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limit transferred pursuant to the Master Receivables Purchase Agreement and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (including the payments of any nature expected to be received by the Guarantor with respect to any Eligible Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected or due to the Swap Providers with respect to any Eligible Swap Agreement), shall be higher than the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions as at the relevant Calculation Date.

Asset Coverage Test

The Calculation Agent shall verify on each Calculation Date that the Asset Coverage Test is met with respect to the Eligible Cover Pool. The Asset Coverage Test will be considered met if, on the relevant Calculation Date, the Adjusted Aggregate Loan Amount is at least equal to the aggregate Principal Amount Outstanding of the Covered Bonds.

The Calculation Agent shall calculate the Adjusted Aggregate Loan Amount by applying the following formula:

A+B+C+D-Z-W

where,

(i) "**A**" is equal to the lower of (A) and (B), where:

"(A)" means the sum of the **LTV Adjusted Principal Balance** of each Mortgage Loan in the Eligible Cover Pool, which shall be the lower of (I) the actual Outstanding Principal Balance of the relevant Mortgage Loan in the Eligible Cover Pool as calculated on the last day of the immediately preceding Calculation Period, and (II) the Latest Valuation relating to that Mortgage Loan multiplied by M (where M is: (a) equal to 80 per cent. for all Residential Mortgage Loans that are less than three months in arrears or not in arrears; (b) equal to 60 per cent. for all Commercial Mortgage Loans that are less than three months in arrears or not in arrears; (c) equal to 40 per cent. for all the Mortgage Loans that are more than three months in arrears but not classified (treated) as Non Performing Receivables; and (d) equal to 0 per cent. for all Non Performing Receivables)

minus

the aggregate sum of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool if any of the following occurred during the previous Calculation Period:

I) a Mortgage Loan or its Collateral Security was, in the immediately preceding Calculation Period, in breach of the representations and warranties contained in the relevant Warranty and Indemnity Agreement and the relevant Seller has not indemnified the Guarantor to the extent required by the terms of the relevant Warranty and Indemnity Agreement (any such Mortgage Loan an **Affected Loan**). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); and/or

II) the relevant Seller (and/or any Additional Seller) (as the case may be), in any preceding Calculation Period, was in breach of any other material warranty under the relevant Master Receivables Purchase Agreement and/or the Servicer or any Sub-Servicer was, in any preceding Calculation Period, in breach of a material term of the Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced, by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Calculation Agent without double counting and to be reduced by any amount paid - (in cash or in kind) - to the Guarantor by the Seller (and/or any Additional Seller) (as the case may be) to

indemnify the Guarantor for such financial loss) (any such loss a **Breach Related Loss**);

AND

"(B)" means the aggregate **Asset Percentage Adjusted Principal Balance** of the Mortgage Loans in the Eligible Cover Pool which in relation to each Mortgage Loan shall be the lower of (1) the actual Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period, and (2) the Latest Valuation relating to that Mortgage Loan multiplied by N (where N is: (x) equal to 1 for all Mortgage Loans that are less than three months in arrears or not in arrears and/or (y) equal to 40 per cent. for all Mortgage Loans that are more than three months in arrears but not classified (treated) as Non Performing Receivables and/or (z) equal to 0 per cent. for all Non Performing Receivables)

minus

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of the any Affected Loan(s) and/or (2) any Breach Related Losses occurred during the previous Calculation Period calculated as described under (A)(I) and (A)(II) above;

the result of which is multiplied by

the Asset Percentage (as defined under letter (vii) below);

(ii) "**B**" is equal to

the aggregate amount of all cash standing on the Accounts;

(iii) "**C**" is equal to

the aggregate amount of any proceeds advanced under the Subordinated Loan Agreement which have not been applied as at the relevant Calculation Date to acquire further Eligible Assets, Substitution Assets and/or Liquid Assets and their Collateral Security or otherwise applied in accordance with the Transaction Documents;

(iv) "**D**" is equal to

the aggregate outstanding principal balance of any Eligible Assets (other than those under 3.2.1 above) and/or Substitution Assets, Liquid Assets and/or Eligible Investments, as applicable;

(v) "**Z**" is equal to

(i) nil to the extent that the Notional Amount (as defined in the Cover Pool Swap Agreement) refers also to Substitution Assets and Eligible Assets and (ii) the WA Remaining Maturity multiplied by the aggregate (Euro Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor;

(vi) "**W**" is equal to the Potential Commingling Amount.

Asset Percentage means:

(a) as long as any Series issued prior to the New CB Legislation Effective Date is outstanding, 93% or such lesser percentage figure as determined from time to time by the Calculation Agent (on behalf of the Guarantor) and notified to the Rating Agency and the Representative of the Bondholders, or (ii) following the redemption in full of any Series issued prior to the New CB Legislation Effective Date, the asset percentage corresponding to the Minimum Overcollateralisation Requirement or such lower asset percentage figure as determined from time to time by the Calculation Agent (on behalf of the Guarantor) and notified to the Rating Agency and the Representative of the Bondholders.

(b) Subject to prior notice to the Rating Agency, the Asset Percentage will be adjusted in accordance with the various methodologies applied by the Rating Agency.

Set-off

Under the Cover Pool Management Agreement, the Issuer has undertaken, if its rating falls below "A3" by Moody's, to provide to the Rating Agency additional information in respect of certain Debtors' account balances held with the Issuer only if requested by the Rating Agency.

Amortisation Test

The Calculation Agent shall verify on each Calculation Date following the delivery of an Issuer Default Notice that the Amortisation Test is met with respect to the Eligible Cover Pool. The Calculation Agent shall verify that the Euro Equivalent of the outstanding principal balance of the Cover Pool, considered, for the purpose of such test, as an amount equal to the Amortisation Test Aggregate Loan Amount, which will be calculated on each Calculation Date by applying the following formula:

A+**B**+**C**-**Z**

where,

(A) "**A**" is the lower of:

(1) the actual Outstanding Principal Balance of each Mortgage Loan as calculated on the last day of the immediately preceding Calculation Period multiplied by M; and

(2) the Latest Valuation multiplied by M,

where M is: (i) equal to 100% for all the Mortgage Loans that are less than three months in arrears or not in arrears (or such higher percentage as may be agreed with respect to insured Mortgage Loans); (ii) equal to 80% for all the Mortgage Loans that are equal to or more than three months in arrears but not classified (treated) as Non Performing Receivables; and (iii) equal to 65% for all the Non Performing Receivables;

(B) "**B**" the aggregate amount of all cash standing on the Accounts;

(C) "**C**" is the aggregate outstanding principal balance of any Eligible Assets (other than those under letter "**A**" above), Substitution Assets, Liquid Assets and/or Eligible Investments, as applicable, as calculated on the latest Calculation Date; and

(D) "**Z**" is equal to (i) nil to the extent that the Notional Amount (as defined in the Cover Pool Swap Agreement) refers also to Substitution Assets and Eligible Assets and (ii) the WA Remaining Maturity multiplied by the aggregate (Euro Equivalent) Principal Amount Outstanding of the Covered Bonds multiplied by the Negative Carry Factor.

Is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date..

Breach of Tests

If the Calculation Agent determines that any of the Mandatory Tests and/or the Amortisation Test and/or the Asset Coverage Test is not met according to the respective formulas, then such event shall constitute a breach of the Mandatory Tests and/or of the Amortisation Test and/or of the Asset Coverage Test.

During the period starting on the date on which the breach is notified by the Calculation Agent and the following Calculation Date (the **Test Grace Period**) or in order to prevent any breach of Tests as evaluated by the Calculation Agent and notified to the Guarantor, the Guarantor will:

(a) purchase Subsequent Portfolios from the Seller which assigned the Receivables in relation to which the shortfall has occurred or, upon certain circumstances set out in the Cover Pool Management Agreement, from any Seller, in accordance with the relevant Master Receivables Purchase Agreement (or the relevant Transfer Agreement); and/or

(b) purchase, or invest in, Eligible Assets, Substitution Assets and/or Liquid Assets,

in each case in an amount sufficient to ensure, also taking into account the information provided by the Calculation Agent in its notification of the breach, that as of the subsequent Calculation Date, all Tests are satisfied with respect to the Eligible Cover Pool.

Failure to remedy Tests

If the relevant breach has not been remedied prior to the end of the applicable Test Grace Period, in accordance with the Cover Pool Management Agreement, the Representative of the Bondholders, shall deliver:

(a) a Breach of Tests Notice to the Issuer and the Guarantor; or

(b) a Guarantor Default Notice, if an Issuer Default Notice has already been served.

Upon receipt of a Breach of Tests Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool, in accordance with the Cover Pool Management Agreement.

Revocation of a Breach of Tests Notice

Following the delivery of a Breach of Tests Notice, but prior to the delivery of an Issuer Event of Default, the right of the Guarantor to sell Selected Assets in accordance to the terms of the Cover Pool Management Agreement shall cease to apply if on any Calculation Date prior to the expiry of the Test Remedy Period the Tests are subsequently met, unless any other Segregation Event has occurred and is outstanding and the Representative of the Bondholders will promptly deliver to the Issuer (any Additional Seller(s), if any), the Guarantor and the Asset Monitor a notice informing such parties that the Breach of Tests Notice then outstanding has been revoked provided that nothing shall prejudice to the obligation of the Representative of the Bondholders to deliver a subsequent Breach of Tests Notice at any time thereafter to the extent a further Segregation Event occurs.

Liquidity Buffer Requirement

Pursuant to article 7-*duodecies* of the Securitisation and Covered Bonds Law and the Bank of Italy Regulations, the Issuer shall ensure that, on a continuing basis, the amount of Liquid Assets comprised in the Cover Pool is equal to or higher than the maximum cumulative Net Liquidity Outflow of the Programme over the next 180 days, provided that, for the purposes of calculating the Net Liquidity Outflows, the Principal Amount Outstanding of the Covered Bonds shall be deemed to be due on the relevant Extended Maturity Date (where applicable) and not on the relevant Final Maturity Date (the **Liquidity Buffer Requirement**).

In order to ensure the compliance of the Cover Pool with the Liquidity Buffer Requirement, the Seller (and/or the Additional Seller (if any)) shall:

(a) prior to an Issuer Event of Default (i) sell Liquid Assets to the Guarantor pursuant to the Master Receivables Purchase Agreement, and/or repurchase assets comprised in the Cover Pool (other than Liquid Assets) pursuant to clause 12 of the Master Receivables Purchase Agreement; or

(b) following an Issuer Event of Default, sell (through the Portfolio Manager) Selected Assets in accordance with the Cover Pool Management Agreement.

It is understood that, in accordance with article 7-*undecies*, paragraph 2, letter c), of the Securitisation and Covered Bonds Law, the Liquid Assets comprised in the Cover Pool shall be considered to contribute to the Eligible Cover Pool, provided that such assets satisfy the requirements to qualify as eligible assets set forth in article 7-*novies*, paragraph 1, letter a), of the Securitisation and Covered Bonds Law.

The Liquid Assets will comprise also the amounts from time to time standing to the credit of the Reserve Account. Such account is held in the name of the Guarantor and will build up over time using excess cash flows remaining on each Guarantor Payment Date after payments required to be made on such date have been made. On each Guarantor Payment Date, in accordance with the Priority of Payments, available funds shall be deposited by the Issuer in the Reserve Account until the cash reserve credited thereto equals the target cash reserve for such Guarantor Payment Date. The cash reserve amount over and above the target cash amount will be used on each Guarantor Payment Date together with other Guarantor Available Funds, for making the payments required by the applicable Priority of Payments, to the extent that the Guarantor Available Funds are not sufficient to make such payments on such Payments Date.

Integration Limits

The aggregate amount of the Substitution Assets and the Liquid Assets included in the Cover Pool shall not be in excess of the Integration Limits.

In order to ensure the compliance of the Cover Pool with the Integration Limits:

(a) the Seller (and/or the Additional Seller (if any)) may:

  (i) sell Eligible Assets, Substitution Assets and/or Liquid Assets to the Guarantor pursuant to the Master Receivables Purchase Agreement; and/or

  (ii) repurchase Substitution Assets and/or Liquid Assets pursuant to clause 12 of the Master Receivables Purchase Agreement; and/or

(b) the Guarantor may repay any Term Loan outstanding under the relevant Subordinated Loan Agreement in accordance with the Pre-Issuer Default Principal Priority of Payments.

It is understood that any Substitution Assets and/or Liquid Assets in excess of the Integration Limits would not be computed for the purposes of the calculation of the Tests pursuant to the Cover Pool Management Agreement.

Swap Agreements

Interest Rate Swap Agreements

The Guarantor is also expected to enter into one or more Interest Rate Swap Agreements with one or more Interest Rate Swap Providers to mitigate certain interest rate, current and other risks in respect of (a) amounts received by the Guarantor under the Cover Pool Agreement and (b) amounts payable by the Guarantor under the Term Loan prior to the service of an Issuer Default Notice and under the Covered Bonds following an Issuer Default Notice. The Interest Rate Swap Provider(s) will be required to obtain a guarantee of its/their obligations from an appropriately rated guarantor, find an appropriately rated replacement or put in place other appropriate credit support arrangements in the event that its/their ratings fall below a specified ratings level.

For further details, see Section "*Description of the Transaction Documents - Interest Rate Swap Agreement*" above.

Reserve Account

The Reserve Account is held in the name of the Guarantor and will be established and built up over time using available cash flow from the Interest Available Funds and will be maintained as long as the Issuer's rating is below "P-2" by Moody's.

CASHFLOWS

As described above under "*Credit Structure*", until an Issuer Default Notice is served on the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the **Priority of Payments**) (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof the Guarantor Available Funds are constituted by the Interest Available Funds and the Principal Available Funds, which will be calculated by Banco BPM on each Calculation Date.

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

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

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

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

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

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

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

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

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

any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments to a Subordinated Lender under the relevant Subordinated Loan Agreement as described in item Fifth (b) of the Pre-Issuer Default Interest Priority of Payments;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Term Loan A (provided that all principal amounts outstanding under a relevant Series of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Guarantee, *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds, and *provided further that*, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or to be received after such Guarantor Payment Date but prior to the next following Guarantor Payment Date which are not used to make the payments or provisions set out under the preceding paragraph will be credited to the Transaction Account and applied as Principal Available Funds on such Guarantor Payment Date;

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

(h) any principal amounts standing to the credit of the Transaction Account, other than the Potential Commingling Amount and/or the Moody's Potential Commingling Amount (to the extent they are not entitled to be released).

Pre-Issuer Default Interest Priority of Payments

The Interest Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, (a) to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pro rata* and *pari passu*, any amount due and payable to the Servicer, the Back-up Servicer (if any), the Sub-Servicer(s), the Account Bank, the Asset Monitor, the Calculation Agent, the Investment Manager, the Principal Paying Agent, the Guarantor Administrative Servicer and the Guarantor Corporate Servicer;

4. *fourth*, to pay any amounts due to the Cover Pool Swap Provider (including any termination payments due and payable by the Guarantor except where the swap counterparty is the Defaulting Party or the sole Affected Party (the **Excluded Swap Termination Amounts**));

5. *fifth*, *pro rata* and *pari passu* (a) on any relevant Guarantor Payment Date, to pay, or make a provision for payment of such proportion of, any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts to be received from the Cover Pool Swap Provider under the Cover Pool Swap Agreement and, if applicable, any amounts (other than principal) to be received from an Interest Rate Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine), of interest amounts due to the Interest Rate Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Interest Rate Swap Agreement (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (b) on each Guarantor Payment Date that falls on an Interest Payment Date, to pay any Base Interest due and payable on such Guarantor Payment Date to the Subordinated Lender pursuant to the terms of the Subordinated Loan Agreement, provided that (i) no Segregation Event has occurred and is continuing on such Guarantor Payment Date; and (ii) if a Segregation Event has occurred and is continuing, any amount of interest on the Covered Bonds has been duly and timely paid by the Issuer;

6. *sixth*, to credit to the Reserve Account an amount required to ensure that the Reserve Amount is funded up to the Reserve Required Amount, as calculated on the immediately preceding Calculation Date;

7. *seventh*, upon the occurrence of a Servicer Termination Event, to credit all remaining Interest Available Funds to the Transaction Account until such Servicer Termination Event is either remedied or waived by the Representative of the Bondholders or a new servicer is appointed;

8. *eighth*, to pay *pro rata* and *pari passu* in accordance with the respective amounts thereof any Excluded Swap Termination Amounts;

9. *ninth*, to transfer to the Principal Available Funds an amount equal to the Interest Shortfall Amount, if any, allocated on the immediately preceding Guarantor Payment Date under item *First* of the Pre-Issuer Default Principal Priority of Payments and on any preceding Guarantor Payment Dates and not already repaid;

10. *tenth*, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Pre-Issuer Default Interest Priority of Payments;

11. *eleventh*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Term Loans, provided that no Segregation Event has occurred and is continuing.

Pre-Issuer Default Principal Priority of Payments

The Principal Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, to pay any amount payable as Interest Shortfall Amount;

2. *second*, to acquire Subsequent Portfolios and/or Eligible Assets, Substitution Assets and/or Liquid Assets (other than those funded through the proceeds of a Term Loan) pursuant to the terms of the Master Receivables Purchase Agreement and/or the Cover Pool Management Agreement;

3. *third*, to pay, *pari passu* and *pro rata* in accordance with the respective amounts thereof: (a) any principal amounts due or to become due and payable to the relevant Swap Providers *pro rata and pari passu* in respect of each relevant Swap Agreement; and (b) (where appropriate, after taking into account any amounts in respect of principal to be received from a Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine) (i) on each Guarantor Payment Date the amounts (in respect of principal) due or to become due and payable under a Term Loan A in accordance with the provisions of the relevant Subordinated Loan Agreement, and (ii) on each Guarantor Payment Date, the amounts (in respect of principal) due or to become due and payable under a Term Loan B, provided that in both cases under (i) and (ii) above no Segregation Event has occurred and is continuing and/or, where applicable, provided that no amounts shall be applied to make a repayment in full in respect of a Term Loan

A if the principal amounts outstanding under the relevant Series of Covered Bonds which have fallen due for payment on such relevant Guarantor Payment Date have not been repaid in full by the Issuer.

Guarantee Priority of Payments

Following the delivery of an Issuer Default Notice, the Guarantor Available Funds shall be applied on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

1. *first*, (a) to pay, *pari passu* and *pro rata*, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pari passu* and according to the respective amounts thereof, any amount due and payable to the Servicer, the Back-up Servicer (if any), the Sub-Servicer(s) (if any), the Account Bank, the Back-up Account Bank, the Asset Monitor, the Calculation Agent, the Investment Manager, the Principal Paying Agent, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer and the Portfolio Manager (if any);

4. *fourth*, *pari passu* and *pro rata* according to the respective amounts thereof, (i) to pay any amount due to the Cover Pool Swap Provider (including any termination payment due and payable by the Guarantor other than any Excluded Swap Termination Amounts); (ii) to pay, on such Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine (and in the case of any such payment or provision, after taking into account any provisions previously made and any amounts to be received from the Cover Pool Swap Provider under the Cover Pool Swap Agreement and, if applicable, any amounts (other than principal) to be received from an Interest Rate Swap Provider on such Guarantor Payment Date or such other date up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine), of interest amounts due to the Interest Rate Swap Provider(s), *pro rata* and *pari passu* in respect of each relevant Interest Rate Swap Agreement (including any termination payments due and payable by the Guarantor other than any Excluded Swap Termination Amounts); and (iii) to pay, on any Guarantor Payment Date, any interest due and payable on such Guarantor Payment Date (or that will become due and payable on the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds *pari passu* and *pro rata* in respect of each Series of Covered Bonds;

5. *fifth*, *pari passu* and pro rata:

   (a) in or towards payment on the Guarantor Payment Date or to make a provision for payment of such proportion of any relevant amount falling due up to the next following Guarantor Payment Date as the Calculation Agent may reasonably determine, of, the amounts in respect of principal due or to become due and payable to the relevant Swap Provider *pro rata* and *pari passu* in respect of each

relevant Swap Agreement (including any termination payment due and payable by the Guarantor under the relevant Swap Agreement, other than any Excluded Swap Termination Amount) in accordance with the terms of the relevant Swap Agreement; and

(b) in or towards payment, on each Guarantor Payment Date (where appropriate, after taking into account any amounts in respect of principal to be received from an Interest Rate Swap Provider) of principal amounts that are due and payable on such Guarantor Payment Date (or that will become due and payable during the immediately succeeding Guarantor Payment Date) under the Guarantee in respect of each Series of Covered Bonds, *pro rata* and *pari passu* in respect of each Series of Covered Bonds;

6. *sixth*, until each Series of Covered Bonds has been fully repaid or repayment in full of the Covered Bonds has been provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds), to credit any remaining amounts to the Transaction Account;

7. *seventh*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

8. *eighth*, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Guarantee Priority of Payments;

9. *ninth*, to pay *pari passu* and *pro rata* according to the respective amounts thereof any Premium on the Term Loans.

Post-enforcement Priority of Payments

Following a Guarantor Event of Default, the making of a demand under the Guarantee and the delivery of a Guarantor Default Notice by the Representative of the Bondholders, the Guarantor Available Funds shall be applied, on each Guarantor Payment Date, in making the following payments in the following order of priority:

1. *first*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof, any Expenses (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);

2. *second*, to pay any amount due and payable to the Representative of the Bondholders;

3. *third*, to pay, *pro rata* and *pari passu*, (i) any amount due and payable to the Servicer, the Back-up Servicer (if any), the Sub-Servicer(s) (if any), the Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer, the Asset Monitor, the Investment Manager, the Back-up Account Bank (if any), the Principal Paying Agent, the Paying Agent(s) (if any) and the Portfolio Manager (if any); (ii) amounts due to the Interest Rate Swap Provider(s) and the Cover Pool Swap Provider and any other Swap Provider(s) (if any); and (iii) amounts due under the Guarantee in respect of each Series of Covered Bonds;

4. *fourth*, to pay *pro rata* and *pari passu*, any Excluded Swap Termination Amount due and payable by the Guarantor;

5. *fifth*, to pay to Banco BPM any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Post-enforcement Priority of Payments;

6. *sixth*, to pay or repay any amounts outstanding under the Subordinated Loan Agreement.

DESCRIPTION OF THE COVER POOL

The Cover Pool is and will be comprised of (i) Receivables transferred pursuant to the Master Receivables Purchase Agreement, (ii) other Eligible Assets, in accordance with the Securitisation and Covered Bonds Law, the Securitisation and Covered Bonds Law and the Bank of Italy Regulations; and (iii) any other Substitution Assets.

As at the date of this Prospectus, the Initial Portfolio and each Subsequent Portfolios (the **Portfolio**) consists of Mortgage Loans transferred by the Seller to the Guarantor in accordance with the terms of the Master Receivables Purchase Agreement, as more fully described under "*Description of the Transaction Documents - Master Receivables Purchase Agreement*".

Save for the real estate assets revaluation procedure ruled by the regulations of the Bank of Italy, no revaluation of the relevant properties has been made by Banco BPM for the purpose of any issue under the Programme. Any valuation has been performed only as at the date of the origination of any Mortgage Loan.

For the purposes hereof:

Subsequent Portfolio means any portfolio other than the Initial Portfolios which may be purchased by the Guarantor from the Seller pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement.

Eligibility Criteria

The sale of Mortgage Loans and their related Security Interest and the transfer of any other Eligible Assets, Substitution Asset and/or Liquid Assets to the Guarantor will be subject to various conditions (the **Eligibility Criteria**) being satisfied on the relevant Transfer Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agency requirements are met. In addition, under the Master Receivables Purchase Agreement it is provided that to the extent that notwithstanding the application of the Eligibility Criteria as described below a Seller (or any Additional Seller(s), (if any)) intends to sell Subsequent Portfolios which have characteristics and/or features that differ materially from the characteristics and/or features of the relevant Initial Portfolio, the Seller shall give prior written notice to the Representative of the Bondholders and the Rating Agency as a condition to the transfer of such Subsequent Portfolios to the Guarantor.

The Receivables transferred from Banco BPM to the Guarantor pursuant to the Master Receivables Purchase Agreement shall meet the following criteria (the **Common Criteria**) on the relevant Valuation Date:

Receivables arising from Mortgage Loans:

(1) which are (i) commercial mortgage loans meeting the requirements of article 129, paragraph 1, letter f), of the CRR and article 7-*novies*, paragraph 2, letters a) and b), of the Securitisation and Covered Bonds Law, or (ii) residential mortgage loans meeting the requirements of article 129, paragraph 1, letter d) of the CRR and article 7-*novies*, paragraph 2, letters a) and b), of the Securitisation and Covered Bonds Law

(2) which have been granted from Banco BPM to individuals (*persone fisiche*), legal persons (*persone giuridiche*) or employees of the Banco BPM Group;

(3) which are not "Non Performing Receivables" in compliance with the CRR and No. 680/2014, as amended from time to time, as implemented in Italy under the "Circolare della Banca d'Italia del 30 luglio 2008, n. 272 (Matrice dei Conti)", as amended from time to time;

(4) which are mortgage loans, in respect of which, as at the Valuation Date, the relevant amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent. for the residential mortgage loans or 60 per cent. for the commercial mortgage loans, as the case may be, of the value of the property;

(5) that have not been granted to public entities (*enti pubblici*) or clerical entities (*enti ecclesiastici*);

(6) that are not consumer loans (*crediti al consumo*);

(7) that are secured by a mortgage created over real estate assets located in the Republic of Italy;

(8) whose debtors are resident in the Republic of Italy;

(9) which are residential mortgage loans the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*), such term meaning (i) a voluntary first ranking mortgage or (ii) a voluntary second or subsequent ranking priority mortgage in respect of which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (iii) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is Banco BPM or other banks belonging to the Banco BPM Group (for the avoidance of doubt also by way of merger (*fusione*), de-merger (*scissione*), contribution of going concern (conferimento di ramo d'azienda) or transfer of going concern (*cessione di ramo d'azienda*));

(10) which are commercial mortgage loans which are expressly created over real estate assets and the payment of which is secured by a first ranking mortgage (ipoteca di primo grado economico) or subsequent ranking priority mortgages;

(11) in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has expired and the relevant mortgage is not capable of being challenged pursuant to article 166 of the Italian Insolvency Code and, if applicable, of article 39, fourth paragraph of the Consolidated Banking Act;

(12) that are fully disbursed and in relation to which there is no obligation or possibility to make additional disbursements;

(13) for which at least an Instalment inclusive of principal has been paid before the relevant Valuation Date (i.e. loans that are not in the pre-amortising phase);

(14) that, as of the relevant Valuation Date, did not have one or more Instalments that have not been fully paid;

(15) that are governed by Italian law;

(16) that are not mortgage loans disbursed in pool;

(17) that are denominated in Euro.

The Receivables included in each Portfolio to be transferred under the Banco BPM Master Receivables Purchase Agreement shall, in addition to the BPM Common Criteria, meet further criteria (the **Banco BPM Additional Criteria**).

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In accordance with the provisions of the Master Receivables Purchase Agreement, the Seller and the Guarantor shall, to the extent necessary, identify further criteria in order to supplement the Common Criteria and the Additional Criteria (the **Further Criteria**).

Under each Warranty and Indemnity Agreement, the Seller has represented, *inter alia*, that, as of the date of execution of the relevant Warranty and Indemnity Agreement, the Mortgage Loans comprised in the relevant Portfolios (i) were valid, in existence and in compliance with the Criteria, and (ii) related to Mortgage Loan Agreements which have been entered into, executed and performed by the relevant Seller in compliance with all applicable laws, rules and regulations (including the Usury Law).

THE ASSET MONITOR

Article 7-*sexiesdecies* of Law 130 and the Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee.

Pursuant to Article 7-*sexiesdecies* of Law 130 and the Bank of Italy Regulations, the asset monitor must be an independent auditor, enrolled with the special register of accounting firms held by the Ministry of Economy and Finance and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual report, to be addressed also to the Statutory Auditors of the Issuer.

Pursuant to an engagement letter entered into on 6 April 2016, the Issuer has appointed BDO Italia S.p.A., a joint stock company incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94 - 20131 Milan, Italy, share capital of Euro 1,000,000. of which paid Euro 1,000,000, fiscal code and enrolment with the companies register of Milan No. 07722780967 and enrolled under No. 167911 with the Register of Statutory Auditors (*Registro dei Revisori Legali*) maintained by the Ministry of Economy and Finance (the **Asset Monitor**) in order to perform, with reference to the period prior to the occurrence of an Issuer Event of Default and subject to receipt of the relevant information from the Issuer, specific agreed upon procedures concerning, *inter alia*, (i) the fulfilment of the eligibility criteria set out under the Securitisation and Covered Bonds Law and the Bank of Italy Regulations with respect to the Eligible Assets, Substitution Assets and Liquid Assets included in the Cover Pool; (ii) the arithmetical accuracy of the calculations performed by the Issuer as Calculation Agent in respect of the Mandatory Tests, the Minimum Overcollateralisation Requirement, the Liquidity Buffer Requirement and the Integration Limits; (iii) the compliance with the internal limits to the transfer of the Eligible Assets, Substitution Assets and Liquid Assets set out in Title I-*bis* of the Securitisation and Covered Bonds Law and article 129 of the CRR; (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement, if and when entered into in the context of the Programme; and (v) the segregation of the Eligible Assets included in the Portfolio according to article 7-*octies* of the Securitisation and Covered Bonds Law; (vi) the correct application and notification of the extension of the maturity of the Covered Bonds issued as required by the Securitisation and Covered Bonds Law; and (vii) the completeness, truthfulness and timely delivery of the information provided to investors pursuant to the Securitisation and Covered Bonds Law and the Bank of Italy Regulations.

The engagement letter is in line with the provisions of the Bank of Italy Regulations in relation to the reports to be prepared and submitted by the Asset Monitor also to the Statutory Auditors Board of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

ASSET MONITOR AGREEMENT

On or about the First Issue Date the Issuer, the Guarantor, the Asset Monitor and the Representative of the Bondholders entered into the Asset Monitor Agreement, pursuant to which, and subject to due receipt of the information to be provided by the Calculation Agent, the Asset Monitor shall verify the compliance of the Cover Pool with the Tests, the Liquidity Buffer Requirement and the Integration Limits.

In addition, on or prior to each Asset Monitor Report Date, the Asset Monitor shall deliver to the Guarantor, the Calculation Agent, the Representative of the Bondholders and the Issuer the Asset Monitor Report in the form set out in the Asset Monitor Agreement.

The Asset Monitor Agreement provides for certain matters such as the payment of fees and expenses to the Asset Monitor, the limited recourse nature of the payment obligation of the Guarantor *vis-à-vis* the Asset Monitor, the resignation of the Asset Monitor and the replacement by the Guarantor of the Asset Monitor.

The Asset Monitor Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law.

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

Introduction

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- article 7-*bis* and article 7-*ter* of the Securitisation and Covered Bonds Law, as subsequently repealed and replaced by Title 1-*bis* of the **Securitisation and Covered Bonds Law**; and

- Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" dated 30 March 2023 (the Bank of Italy Regulations, as defined below).

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Securitisation and Covered Bonds Law by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Securitisation and Covered Bonds Law was further amended by law decree No. 145 of 23 December 2013, called "*Decreto Destinazione Italia*" (the ***Destinazione Italia* Decree**) converted into law No. 9 of 21 February 2014, by law decree No. 91, called "*Decreto Competitività*" (the **Law Decree *Competitività***), converted into law No. 116 of 11 August 2014, by law decree No. 18 of 15 February 2016 converted into law No. 49 of 8 April 2016, by law decree No. 50 of 24 April 2017 converted into law No. 96 of 21 June 2017, by Law No. 145 of 30 December 2018 and by law decree No. 34 of 30 April 2019. Following the issue of the Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310, the Bank of Italy Regulations were originally published on 17 May 2007, as subsequently amended on 24 March 2010, completing the relevant legal and regulatory framework and allowing for the implementation on the Italian market of this funding instrument, which had previously only been available under special legislation to specific companies (such as *Cassa Depositi e Prestiti S.p.A.*).

The Bank of Italy published supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285) came into force on 1 January 2014, implementing CRD IV and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013 (the **Circular No. 285**), which added a new Chapter 3 ("*Obbligazioni bancarie garantite*") in Part III contained therein, the provisions set forth under Title V, Chapter 3 of Circular No. 263 of 27 December 2006 have been abrogated.

The Circular No. 285 introduced provisions, among other things, regulating:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;

- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;

- criteria to be adopted in the integration of the assets constituting the cover pools;

- the identification of the cases in which the integration is permitted and its limits; and

- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

On 30 November 2021 was adopted the Legislative Decree no. 190 of 5 November 2021 (the **Decree 190**) implementing the CB Directive, which amended the Securitisation and Covered Bonds Law, was published in the Official Gazette No. 285 of 30 November 2021 and entered into force on 1st December 2021.

The Decree 190 repealed Articles 7-*bis*, 7-*ter* and 7-*quater* of the Securitisation and Covered Bonds Law (as applicable until the entry into force of the Bank of Italy Regulations) and introduced the new Title I-*bis* of the Securitisation and Covered Bonds Law, which sets out the legislative framework applicable to covered bonds issued as of the adoption by the Bank of Italy of new the supervisory instructions set out in Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" dated 30 March 2023, as amended from time to time (the **Bank of Italy Regulations**).

In accordance with Decree 190 (i) until the entry into force of the Bank of Italy Regulations (*i.e.*, 31 March 2023), covered bonds have been issued pursuant to article 7-*bis* of the Securitisation and Covered Bond Law as applicable until the entry into force of the Bank of Italy Regulations, the Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310, the previous version of the Bank of Italy "*Disposizioni di Vigilanza per le Banche*" dated 17 December 2013 (Circolare No. 285 of 17 December 2013) and the previous version of article 129 of the CRR; and (ii) as of the entry into force of the Bank of Italy Regulations (*i.e.*, 31 March 2023), covered bonds will be issued pursuant to the provisions of Title I-*bis* of the Securitisation and Covered Bonds Law, the Bank of Italy Regulations and article 129 of the CRR.

Basic structure of a covered bond issue

The structure provided under Title I-*bis* of the Securitisation and Covered Bonds Law with respect to the issue of covered bonds may be summarised as follows:

- a bank transfers a pool of eligible assets pursuant to Securitisation and Covered Bonds Law and Article 129 of the CRR (i.e. the cover pool) to article 7-*septies* special purpose vehicle (the **Guarantor**);

- the bank (or a different bank) grants the Guarantor a subordinated loan in order to fund the payment by the Guarantor of the purchase price due for the cover pool;

- the bank (or a different bank) issues the covered bonds which are supported by a first demand, unconditional, autonomus and irrevocable guarantee issued by the Guarantor for the exclusive benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction. The Guarantee is backed by the entire cover pool held by the Guarantor.

Title I-*bis* of the Securitisation and Covered Bonds Law however also allows for structures which contemplate different entities acting respectively as cover pool provider, subordinated loan provider and covered bonds issuer.

The Guarantor

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Securitisation and Covered Bonds Law, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the Guarantor is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchase of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

The guarantee

According to article 7-*quaterdecies* of the Securitisation and Covered Bonds Law the guarantee issued by the Guarantor for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the Guarantor must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the Guarantor's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, solely the Guarantor will be responsible for the payment obligations of the issuer owed to the Bondholders, in accordance with their original terms and with limited recourse to the amounts available to the Guarantor from the cover pool.

If a resolution pursuant to Article 74 of the Consolidated Banking Act is passed in respect of the Issuer, the Guarantor, in accordance with the Securitisation and Covered Bonds Law, shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the entire period in which the suspension continues at their relevant due date, provided that it shall be entitled to claim any such amounts from the Issuer.

For further details see Section "*Description of the Transaction Documents – Guarantee*".

Finally, if a moratorium is imposed on the issuer's payments, the Guarantor will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The Guarantor will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-*octies* of the Securitisation and Covered Bonds Law provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction.

In addition, article 7-*octies* of the Securitisation and Covered Bonds Law expressly provides that the claim for reimbursement of the loan granted to the Guarantor to fund the purchase of

assets in the cover pool is subordinated to the rights of the Bondholders and of the hedging counterparties involved in the transaction.

Exemption from claw-back

Assignments executed under the Securitisation and Covered Bonds Law are subject to revocation on insolvency under article 166 of the Italian Insolvency Code but only in the event that the declaration of insolvency of the Seller is made within three months of the covered bonds transaction (or of the purchase of the Cover Pool) or, in cases where paragraph 1 of article 166 of the Italian Insolvency Code applies (e.g. if the payments made or the obligations assumed by the insolvent party exceed by more than one-fourth the consideration received or promised), within six months of the covered bonds transaction (or of the purchase of the Cover Pool).

Article 7-*octies* of the Securitisation and Covered Bonds Law provides that the guarantee and the subordinated loan granted to fund the payment by the Guarantor of the purchase price due for the cover pool are exempt from the insolvency claw-back provisions set out in Article 166 of the Italian Insolvency Code.

In addition to the above, any payments made by an assigned debtor to the Guarantor may not be subject to any declaration of ineffectiveness according to Article 164 of the Italian Insolvency Code.

The Issuing Bank

The Bank of Italy Regulations provide that covered bonds may only be issued in accordance with the Risk Appetit Framework adopted by the issuing bank, which sets out its attitude to liquidity risk, risk thresholds and limits, the risk management policies and the relevant processes required to define and implement them.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under article 7-*nonies* of the Securitisation and Covered Bonds Law, see "*Description of the Cover Pool - Eligibility Criteria*".

Tests, liquidity buffer requirement and integration limits

Article 7-*undecies* of the Securitisation and Covered Bonds Law provides that the cover pool provider and the issuer must, on a continuing basis, ensure that, throughout the transaction:

- the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds, provided that pursuant to the CRR and the Bank of Italy Regulations a minimum level of overcollateralisation equal to 5% shall at all times be met;

- the net present value of the cover pool (net of all the transaction costs borne by the Guarantor, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;

- the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the Guarantor) are sufficient to cover interest and costs due by the issuer

with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In addition, pursuant to article 7-*duodecies* of the Securitisation and Covered Bonds Law and with the Bank of Italy Regulations, the issuer shall ensure that, on a continuing basis, the cover pool comprises the liquid assets (as identified under article 7-*duodecies*, paragraph 2, letter a) and letter b), of the Securitisation and Covered Bonds Law) in an amount equal to or higher than the maximum cumulative net liquidity outflow (*deflusso netto di liquidità*) of the covered bond rogramme over the next 180 days.

For the purposes of article 129 of the CRR, the aggregate amount of the liquid assets (as referred to above) and the assets under article 129, paragraph 1, letter c), of the CRR included in the cover poll shall not be in excess of the integration limits set out in article 129, paragraph 1a., of the CRR.

In respect of the above, under the Bank of Italy Regulations, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's s board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings. In addition, pursuant to article 7-*sexdecies* of the Securitisation and Covered Bonds Law, the asset monitor shall provide to Bank of Italy with a report detailing its monitoring activity and the relevant findings at least on an annual basis.

Article 7-*sexdecies* of the Securitisation and Covered Bonds Law and the Bank of Italy Regulations require banks to carry out the monitoring activities described above at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12 months the monitoring activity carried out with respect to each covered bond transaction, basing such review, among other things, on the evaluations supplied by the asset monitor.

In addition to the above, the Bank of Italy Regulations provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to article 129, paragraph 7, of the CRR.

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Regulations require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance.

Substitution of assets

Article 129, paragraph 1, letter (c) of the CRR provides that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "*Description of the Cover Pool - Eligibility Criteria*", or the higher over-collateralisation provided for under the relevant covered bond transaction documents, are satisfied at all times during the transaction.

The eligible assets comprised in the cover pool may only be substituted or supplemented by means of exposures to credit institutions that qualify for credit quality step 1 or credit quality step 2, or exposures to credit institutions that qualify for credit quality step 3 where those exposures are in the form of:

- short-term deposits with an original maturity not exceeding 100 days, where used to meet the cover pool liquidity buffer requirement of Article 16 of Directive (EU) 2019/2162; or

- derivative contracts that meet the requirements of Article 11(1) of Directive (EU) 2019/2162, where permitted by the competent authorities.

The Bank of Italy has clarified that the eligible assets included in the cover pool may be substituted with other eligible assets originated by the Seller, provided that such substitution is expressly provided for and regulated under the relevant programme documentation and appropriate disclosure is given to the investors in the prospectus.

Article 129, paragraph 1a., of the CRR, however, provide that the substitution assets described in the last two paragraphs above (together with the liquidity deriving from the management of the cash-flows of the cover pool):

- for exposures to credit institutions that qualify for credit quality step 1, the exposure shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing credit institution;

- for exposures to credit institutions that qualify for credit quality step 2, the exposure shall not exceed 10% of the nominal amount of outstanding covered bonds of the issuing credit institution;

- for exposures to credit institutions that qualify for credit quality step 3 that take the form of short-term deposits, as referred to in article 129, paragraph 1(c)(i) of the CRR, or the form of derivative contracts, as referred to in article 129, paragraph 1(c)(ii) of the CRR, the total exposure shall not exceed 8% of the nominal amount of outstanding covered bonds of the issuing credit institution; the competent authorities designated pursuant to Article 18(2) of Directive (EU) 2019/2162 may, after consulting European Banking Authority, allow exposures to credit institutions that qualify for credit quality step 3 in the form of derivative contracts, provided that significant potential concentration problems in the Member States concerned due to the application of credit quality step 1 and 2 requirements referred to in this paragraph can be documented; and

- the total exposure to credit institutions that qualify for credit quality step 1, 2 or 3 shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing credit institution and the total exposure to credit institutions that qualify for credit quality step 2 or 3 shall not exceed 10% of the nominal amount of outstanding covered bonds of the issuing credit institution.

Set-off

The assignment of receivables under the Securitisation and Covered Bonds Law is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to such provision, such assignment becomes enforceable against the relevant debtors as of the later of

(i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Guarantor may be subject to the direct rights of the Borrowers against the Seller including rights of set-off on claims arising prior to notification in the Official Gazette and registration at the Local Companies' Registry. The notification in the Official Gazette and the registration at the local Companies' Registry are not capable for such assignment to become enforceable against Debtors which are not resident in Italy.

Usury Law

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

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

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

According to recent court precedents, the remuneration of any given financing must be below the applicable Usury Rates from time to time applicable. Based on this recent evolution of case law on the matter, it might constitute a breach of the Usury Regulations if the remuneration of a financing is lower than the applicable Usury Rates at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rates at any point in time thereafter (see, for instance, *Cassazione* 11 January 2013 No. 603). However, it is worth mentioning that, by

more recent decisions, the Italian Supreme Court has clearly stated that, in order to establish if the interest rate exceeds the Usury Rate, it has to be considered the interest rate agreed between the parties at the time of the signing of the financing agreement, regardless of the time of the payment of such interest (see, for instance, *Cassazione* 27 September 2013, No. 22204; *Cassazione* 25 September 2013, No. 21885; *Cassazione* 19 October 2017, No. 24675).

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

In addition, the Italian Supreme Court (Corte di Cassazione) joint sections (Sezioni Unite) (n. 19597 dated 18 September 2020) stated that, in order to assess whether a loan complies with the Usury Law, also default interest rates shall be included in the calculation of the remuneration to be compared with the Usury Rates. In this respect, should that remuneration be higher than the Usury Rates, only the 'type' of rate which determined the breach shall be deemed as null and void. As a consequence, the entire amount referable to the rate which determined the breach of said threshold shall be deemed as unenforceable according to the last interpretation of the Supreme Court.

Compounding of interest (Anatocismo)

Pursuant to article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable may be capitalised after a period of not less than six months only (a) under an agreement subsequent to such accrual or (b) from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian civil code allows derogation from this provision in the event that there are recognised customary practices (*usi*) to the contrary.

Banks and financial companies in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice (*uso normativo*). However, a number of recent judgments from Italian courts (including judgments from the Italian Supreme Court (*Corte di Cassazione*) No. 2374/99, No. 2593/2003, No. 21095/2004, No. 4094/2005 and No. 10127/2005) have held that such practices are not *uso normativo*. In this respect, it should be noted that Article 25, paragraph 3, of legislative decree No. 342 of 4 August 1999 (**Decree No. 342**), enacted by the Italian Government under a delegation granted pursuant to law No. 142 of 19 February 1992, has considered the capitalisation of accrued interest (*anatocismo*) made by banks prior to the date on which it came into force (19 October 1999) to be valid. After such date, the capitalisation of accrued interest is no longer possible upon the terms established by a resolution of the Interministerial Credit & Saving Committee (**CICR** or ***Comitato Interministeriale per il Credito e il Risparmio***) issued on 22 February 2000. Decree No. 342 has been challenged and decision No. 425 of 17 October 2000 of the Italian Constitutional Court has declared as unconstitutional under the provisions of Decree No. 342 regarding the validity of the

capitalisation of accrued interest made by banks prior to the date on which Decree No. 342 came into force.

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

Furthermore there have been two rulings of Italian Courts that have held that the calculations applicable to the instalments under certain mortgage loan agreements that were based upon the amortisation method known as "French amortisation" (i.e. mortgage loans with fixed instalments, made up of an amount of principal (that progressively increases) and an amount of interest (that decreases as repayments are calculated with a specific formula), triggered a violation of the Italian law provisions on the limitations on the compounding of interest (*divieto di anatocismo*). However, it should be pointed out that these were isolated judgements, still under appeal, and more recently various court rulings on the same matter have declared that the "French amortisation" method does not entail an illegal compounding element.

Taxation

Article 7-*vicies* of the Securitisation and Covered Bonds Law, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, provided that:

- the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and

- the subordinated loan is granted by the same bank acting as cover pool provider.

It is likely that the provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986.

Mortgage borrower protection

Certain legislation enacted in Italy has given new rights and certain benefits to mortgage debtors and/or reinforced existing rights, including, inter alia, and as better regulated under the relevant applicable laws and regulations, (i) the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty or, as applicable, at a reduced penalty rate, (ii) the right to the substitution (portabilità) of a mortgage loan with another mortgage loan, (iii) the right of first home-owners to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months, (iv) the right to suspend the payment of principal instalments relating to mortgage loans for a 12 months period, (v) the automatic suspension of instalment payments of mortgages and loans, up to certain periods, to residents, both individuals and businesses, in certain municipalities affected by environmental disasters and listed in the relevant laws and regulations.

Mortgage Credit Directive

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

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

The Mortgage Credit Directive came into effect on 20 March 2014 and is required to be implemented in Member States by 21 March 2016.

On 1 June 2015, in accordance with Article 18, Article 20(1) and Article 28 of the Mortgage Credit Directive, the EBA published its final Guidelines on creditworthiness assessment, as well as its final Guidelines on arrears and foreclosure, that support the national implementation by Member States of the Mortgage Credit Directive.

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

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

Moreover such decree sets forth certain rules of correctness, diligence and transparency and information undertakings applicable to the lenders and intermediaries which offer loans to the consumers and provides that the parties may agree under the loan agreements that in case of breach of the borrower's payment obligations under the agreement (i.e. non-payment of at least eighteen loan instalments due and payable by the debtor) the property of the debtor subject to security or the proceeds deriving from the sale thereof can be transferred to the creditor in discharge of the entire debt even if the value of the assets or the proceeds deriving from the sale of the assets is lower than the remaining amount due by the debtor in relation to the loan. In the event that the value of the property of the debtor subject to security, as estimated by the expert (*perito*) or the amount of the proceeds deriving from the sale thereof is higher than the residual debt, the debtor will be entitled to receive the excess amount. The value of the property

shall be determined by an independent expert (*perito*) chosen by the parties, or, if an agreement on the appointment of the expert is not reached between them, by the president of the competent court (*Presidente del Tribunale competente*).

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Law No. 111 of 9 August 2023 published in the Official Gazette No. 189 of 14 August 2023 (**Law 111**), delegates power to the Italian Government to enact, within twenty-four months from its publication, one or more legislative decrees implementing the reform of the Italian tax system (**Tax Reform**). According to Law 111, the Tax Reform will significantly change the taxation of financial incomes and capital gains and introduce various amendments in the Italian tax system at different levels. The precise nature, extent, and impact of these amendments cannot be quantified or foreseen with certainty at this stage. The information provided herein may not reflect the future tax landscape accurately. See also "*Risk Factors – Risks related to the Covered Bonds – Risks related to the forthcoming tax reform of financial incomes*").

According to Law 111, the Tax Reform may change significantly the taxation of financial incomes and capital gains and introduce various amendments in the Italian tax system at different levels. The precise nature, extent, and impact of these amendments cannot be quantified or foreseen with certainty at this stage.

Tax treatment of Covered Bonds issued by the Issuer

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented (**Decree No. 239**) sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) issued, *inter alia*, by Italian resident banks. The provisions of Decree No. 239 only apply to Covered Bonds issued by the Issuer which qualify as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni)* pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**).

For these purposes, debentures similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Decree No. 239 also applies to Interest from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian resident Bondholders

Pursuant to Decree No. 239, where an Italian resident Bondholder, who is the beneficial owner of the Covered Bonds, is:

(a) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless such individual has entrusted the management of the financial assets, including the Covered Bonds, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito"* (the **Asset Management Regime**) – see under *"Capital gains tax*" below for an analysis of such regime), or

(b) a non-commercial partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations, or

(c) a private or public entity other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, with the exclusion of collective investment funds; or

(d) an investor exempt from Italian corporate income taxation (**IRES**).

Interest payments relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent., either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Covered Bonds. All the above categories are qualified as "net recipients".

Where the resident holders of the Covered Bonds described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth pursuant to Italian law as amended and supplemented from time to time.

Where an Italian resident Bondholder is a company or similar commercial entity (including limited partnership qualified as *società in nome collettivo* or *società in accomandita semplice* and private and public institutions carrying out commercial activities and holding the Covered Bonds in connection with this kind of activities), or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Bondholder's income tax return and are therefore subject to IRES. In certain circumstances, depending on the "status" of the Bondholder, Interest from the Covered Bonds would be subject to the regional tax on productive activities (**IRAP**). Interest on the Covered Bonds that are not deposited with an authorised intermediary, received by the above persons is subject to a 26 per cent. substitute tax levied as provisional tax.

Where a Bondholder is an Italian resident real estate investment fund pursuant to Law Decree no. 351 of 25 September 2001, as amended, Law Decree no. 78 of 31 May 2010 converted into Law no. 122 of 30 July 2010, as amended, and Legislative Decree no. 44 of 4 March 2014, as amended, and real estate SICAFs (together, the **Real Estate Funds**), interest accrued on the Covered Bonds will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Funds. The income of the Real Estate Fund is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the Real Estate Fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAV (an investment company with variable share capital) or a SICAF (an Italian investment company with fixed share capital) (together, the **Fund**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Where an Italian resident Bondholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005 (**Decree No. 252**)) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the **Pension Fund Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Covered Bonds). Subject to certain conditions (including minimum holding period requirement) and limitations, Interest in respect of the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth pursuant to Italian law as amended and supplemented from time to time.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (**SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**), as subsequently amended and integrated.

An Intermediary (a) must (i) be resident in Italy, or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary, or (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239, and (b) intervene, in any way, in the collection of interest or in the transfer of the Covered Bonds. For the purpose of the application of the imposta sostitutiva, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds and the relevant coupons are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the imposta *sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Covered Bonds or, absent that by the Issuer.

Non Italian resident Bondholders

Pursuant to Decree No. 239, payments of Interest in respect of Covered Bonds issued by the Issuer will not be subject to *imposta sostitutiva* at the rate of 26 per cent. if made to beneficial owners who are non Italian resident beneficial owners of the Covered Bonds with no permanent establishment in Italy to which the Covered Bonds are effectively connected provided that:

(a) such beneficial owners are resident, for tax purposes, in a State or territory included in the list of States or territories allowing an adequate exchange of information with Italy and listed in Ministerial Decree dated 4 September 1996, as amended and supplemented by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree No. 239 (the **White List**). For the sake of clarity, Brexit has not resulted in the exclusion of the United Kingdom from the White List. Accordingly, Brexit did not result in a change on the tax treatment of Bondholders being resident or established in the UK; and

(b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Covered Bonds made to (i) international bodies or entities established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors, whether or not subject to tax, which are established in countries included in the White List; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

In order to ensure payment of Interest in respect of the Covered Bonds without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident Bondholders indicated above must be the beneficial owners of the payments of Interest and must:

(a) deposit in due time, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a self-statement, which remains valid until withdrawn or revoked, in which the Bondholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities established in accordance with international agreements ratified in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001. Additional supporting documentation may sometimes be

requested by the relevant depository, which depends on the status of the Bondholder and the policies of the relevant depository.

Failure of a non-resident Bondholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments.

The 26 per cent. *imposta sostitutiva*, if applicable, may be reduced (generally to 10 per cent.) under certain double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

Payments made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident guarantor may be subject to a withholding tax at a rate of 26 per cent. levied as a final tax or provisional tax depending on the residential "status" of the Bondholder, pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Bondholders, a final withholding tax may be applied at 26 per cent. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Covered Bonds multiplied by the number of years of the duration of the Covered Bonds.

Atypical securities

Interest payments relating to Covered Bonds that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Covered Bonds issued by an Italian resident issuer, where the Bondholder is:

(a) an Italian individual engaged in an entrepreneurial activity to which the Covered Bonds are connected;

(b) an Italian company or a similar Italian commercial entity;

(c) a permanent establishment in Italy of a foreign entity to which the Covered Bonds are connected;

(d) an Italian commercial partnership; or

(e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Interest in respect of Covered Bonds received by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the withholding tax on Interest relating to "*titoli atipici*", if those Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth pursuant to Italian law as amended and supplemented from time to time.

In all other cases, including when the Bondholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Bondholders, the 26 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Italian resident Bondholders

Pursuant to Legislative Decree of 21 November 1997, No. 461 (**Decree No. 461**), a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva*") is applicable to capital gains realised by:

(a) an Italian resident individual not engaged in entrepreneurial activities to which the Covered Bonds are connected;

(b) an Italian resident partnership not carrying out commercial activities;

(c) an Italian private or public institution not carrying out mainly or exclusively commercial activities; or

on any sale or transfer for consideration of the Covered Bonds or redemption thereof.

In respect of the application of imposta sostitutiva on capital gains, taxpayers may opt for one of the three regimes described below:

(a) under the tax declaration regime ("*regime della dichiarazione*"), which is the default regime for Italian Bondholders under (a) to (c) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred

capital loss) realised pursuant to all sales or redemptions of the Covered Bonds carried out during any given fiscal year. The capital gains realised in any fiscal year, net of any relevant incurred capital loss, must be detailed in the annual tax return to be filed with Italian tax authorities and the *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for such fiscal year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years;

(b) alternatively to the tax declaration regime, Italian Bondholders under (a) to (c) above may elect for the administrative savings regime ("*regime del risparmio amministrato*") to pay the *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Covered Bonds. Such separate taxation of capital gains is allowed subject to (i) the Covered Bonds being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the administrative savings regime being made in writing in due time by the relevant Bondholder. The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the holder of the Covered Bonds, deducting a corresponding amount from the proceeds to be credited to the holder of the Covered Bonds or using funds provided by the holder of the Covered Bonds. Where a sale or transfer or redemption of the Covered Bonds results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Covered Bonds within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the administrative savings regime, the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous;

(c) alternatively to the above described regimes, the aforementioned Bondholders may elect for the Asset Management Regime, under which any capital gains realised upon sale, transfer or redemption by Italian Bondholders under (a) to (c) above who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Also under the Asset Management Regime the realised capital gain is not required to be included in the annual income tax return of the Bondholder and the Bondholder remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Covered Bonds realised upon sale, transfer or redemption by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth pursuant to Italian law as amended and supplemented from time to time.

In the case of Covered Bonds held by Funds capital gains on Covered Bonds contribute to determinate the increase in value of the managed assets of the Funds accrued at the end of each tax year. The Funds will not be subject to taxation on such increase, but the Collective Investment Fund Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where a Bondholder is a Real Estate Fund, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund. The income of the Real Estate Fund is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Bondholder is a pension fund subject to the regime provided for by article 17 of Decree No. 252 and the Covered Bonds are deposited with an Italian resident intermediary, any capital gains realised upon sale, transfer or redemption of the Covered Bonds and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include capital gains accrued on the Covered Bonds). Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Covered Bonds may be excluded from the taxable base of the Pension Fund Tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth pursuant to Italian law as amended and supplemented from time to time.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non Italian resident corporations to which the Covered Bonds are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Non-Italian resident Bondholders

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Covered Bonds by non Italian resident individuals and corporations without a permanent establishment in Italy to which the Covered Bonds are effectively connected, if the Covered Bonds are held in Italy.

However, pursuant to Article 23 of Decree No. 917, any capital gains realised by non Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale for consideration or redemption of the Covered Bonds are exempt from taxation in Italy to the extent that the Covered Bonds are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Covered Bonds are deposited, even if the Covered Bonds are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Capital gains realised by non-Italian resident Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected through the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer not traded on regulated

markets are not subject to the *imposta sostitutiva*, provided that the beneficial owner of the Covered Bonds is:

(a) resident in a State or territory included in the White List as defined above; and

(b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

The same exemption applies where the non-Italian resident beneficial owners of the Covered Bonds are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in countries included in the White List; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

If none of the conditions above is met, capital gains realised by non-Italian resident Bondholders from the sale, transfer or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, non-Italian resident Bondholders may benefit from any applicable tax treaty with Italy providing that capital gains realised upon the sale, transfer or redemption of the Covered Bonds are to be taxed only in the country of tax residence of the recipient.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Covered Bonds are effectively connected elect for the asset management regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply provided that they timely file with the Italian authorised financial intermediary a self-declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3rd October, 2006, converted with amendments by Law No. 286 of 24th November, 2006 effective from 29th November, 2006, and Law No. 296 of 27th December, 2006, the transfers of any valuable assets (including the Covered Bonds) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(a) 4 per cent. to transfers in favour of spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);

(b) 6 per cent. to transfers in favour of brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);

(c) 6 per cent. to transfers in favour of relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and

(d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

The transfer of financial instruments as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Italian law.

With respect to Covered Bonds listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Covered Bonds, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Covered Bonds) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Covered Bonds for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Transfer tax

Contracts relating to the transfer of securities are subject to a € 200 registration tax as follows:

(i) public deeds and notarised deeds are subject to mandatory registration;

(i) private deeds are subject to registration only in the case of use ("*caso d'uso*") or upon occurrence of an explicit reference ("*enunciazione*") or voluntary registration ("*registrazione volontaria*").

Stamp Duty

Pursuant to Article 13 par. 2-*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed € 14,000 per year for taxpayers other than individuals, pursuant to Article 134 of Law Decree No. 34 of 19 May 2020. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Covered Bonds). Stamp duty applies both to Italian resident Bondholders and to non-Italian resident Bondholders, to the extent that the Covered Bonds are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, resident individuals, non-business entities and non-business partnerships that are resident in Italy holding financial assets – including the Covered Bonds – outside of the Italian territory are required to pay in their own annual tax declaration a wealth tax at the rate of 0.2 per cent. (0.40 per cent., as of 2024, in case of financial assets held in States or territories with privileged tax regime identified by the Decree of the Ministry of Economy and Finance of 4 May 1999). The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. Pursuant to Article 134 of Law Decree No. 34 of 19 May 2020, the wealth tax cannot exceed € 14,000.00 per year for Bondholders other than individuals. The Italian tax authority clarified (Circular No. 28/E of 2 July 2012) that financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries.

Tax Monitoring Obligations

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014 and Law No. 186 of 15 December 2014, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad or are the actual owners, under the Italian money-laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through Italian financial intermediaries intervention, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

U.S. Foreign Account Tax Compliance Withholding (FATCA)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as

Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Covered Bonds (as described under "*Terms and Conditions - Further Issues*") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.]

LUXEMBOURG TAXATION

The following is an overview of certain Luxembourg tax considerations relating to the Covered Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Covered Bonds, whether in Luxembourg or elsewhere. Prospective purchasers of the Covered Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Covered Bonds and receiving payments of interest, principal and/or other amounts under the Covered Bonds and the consequences of such actions under the tax laws of Luxembourg. This overview is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding tax issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Covered Bonds.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

A Bondholder may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Covered Bonds, or the execution, performance, delivery and/or enforcement of the Covered Bonds.

Withholding Tax

All payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Covered Bonds, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended (the **2005 Law**), which provides for a 20% withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the 2005 Law) paid by a paying agent within the meaning of the 2005 Law established in Luxembourg.

Responsibility for the withholding of the 20% withholding tax will be assumed by the Luxembourg paying agent (if any) and not by the Issuer.

Pursuant to the 2005 Law, Luxembourg resident individuals can opt to self declare and pay a 20% levy on savings income paid or ascribed by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

The 20% withholding tax as described above or the 20% levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Programme Agreement dated 11 July 2008 (as amended and restated from time to time, the **Programme Agreement**) and made between the Issuer, the Guarantor, the Representative of the Bondholders and the Dealers. Any Subscription Agreement agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series or Tranche of Covered Bonds. For the purposes of this section, references in this section to "Dealer" and "Dealers" also refers to any Dealer or Dealers appointed subsequently.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Covered Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not offer, sell or deliver Covered Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified to the Issuer by the relevant Dealer or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer further agrees, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of Covered Bonds comprising any Series or Tranche, offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act

if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies the "*Prohibition of Sales to EEA Retail Investors*" as "*Not Applicable*", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds does not include a legend entitled "*Prohibition of Sales to EEA Retail Investors*", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Member State except that it may make an offer of such Covered Bonds in that Member State:

(a) **Qualified investors**: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) **Fewer than 150 offerees**: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) **Other exempt offers**: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any 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 for the Covered Bonds and (ii) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Covered Bonds specifies "*Prohibition of Sales to UK Retail Investors*" as "*Not Applicable*", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the **EUWA**); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Covered Bonds does not include the legend "*Prohibition of Sales to UK Retail Investors*", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in the United Kingdom except that it may make an offer of such Covered Bonds to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement

a prospectus pursuant to Article 23 of the Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA.
For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds 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 for the Covered Bonds and (ii) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) ***no deposit-taking***: in relation to any Covered Bonds which have a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:

(ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons:

- whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as 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;

(b) ***financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***general compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Covered Bonds has not been registered with the Consob pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the sale of the Covered Bonds in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Without prejudice to the paragraph entitled "Prohibition of Sales to EEA Retail Investors" above, each Dealer has represented and agreed that, save as set out below, no Covered Bonds

may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except in circumstances falling within Article 1(4) of the Prospectus Regulation or Article 3(2) of the Prospectus Regulation and Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time. Any such offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Consolidated Banking Act**);

(b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Consolidated Banking Act pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015, as amended; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB any other Italian authority.

France

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in the Republic of France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the **FIEA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Covered Bonds in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and the Dealers. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Covered Bonds) or in a supplement to this Prospectus.

GENERAL INFORMATION

Name and Legal Form of the Issuer

The Issuer is incorporated as a joint stock company (*società per azioni*) in the Republic of Italy, is registered with number 09722490969 in the companies' register (*registro delle imprese*) of Milan and operates in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended) (the **Italian Banking Act**).

Corporate Purpose

The purpose of the Issuer, pursuant to Article 4 of the By-laws, is to collect savings and provide loans in various forms, both directly and through subsidiaries. In compliance with applicable regulations and after obtaining the necessary authorisations, the Issuer may carry out, directly or through its subsidiaries, all banking, financial and insurance transactions and services, including the establishment and management of open or closed end pension schemes, and other activities that may be performed by lending institutions, including the issuance of bonds, the exercise of financing activities regulated by special laws and the sale and purchase of company receivables.

The Issuer may carry out any other transaction that is instrumental or in any way related to the achievement of its corporate purpose. To pursue its objectives, the Issuer may adhere to associations and consortia of the banking system, both in Italy and abroad.

In its capacity as parent company of the Group, pursuant to the laws from time to time in force, including Article 61, paragraph 4, of the Italian Banking Act, in exercising the activity of direction and coordination the Issuer issues guidelines to the Group's members, also for the purpose of executing instructions issued by the regulatory authorities and in the interest of the stability of the Group.

Share Capital of the Issuer

Pursuant to Article 6 of the By laws, the subscribed and paid up share capital of the Issuer is Euro 7,100,000,000 and is represented by 1,515,182,126 ordinary shares without nominal value.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of Banco BPM is 815600E4E6DCD2D25E30.

Website and Telephone

The website of the Issuer is https://gruppo.bancobpm.it/en/ and its telephone numbers are +39 02 77 001 and +39 045 8675 111. The information on https://gruppo.bancobpm.it/en/ does not form part of this Prospectus, except where that information has been incorporated by reference into this Prospectus. Other than the information incorporated by reference, the content of the Issuer's website has not been scrutinised or approved by the competent authority.

Approval, Listing and Admission to Trading

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Regulation by the *Commission de Surveillance du Secteur Financier* (**CSSF**) in its

capacity as competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Regulation. Application has been made for Covered Bonds issued under the Programme to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Prospectus; (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Regulation; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of a summary of this Prospectus.

BNP Paribas, Luxembourg Branch is acting as listing agent in connection with the Programme and the Covered Bonds. BNP Paribas, Luxembourg Branch, being part of a financial group providing clients services with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNP Paribas Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg.

Minimum Denomination

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, such Covered Bonds will not have a denomination of less than €100,000 (or, where the Covered Bonds are issued in a currency other than euro, the equivalent amount in such other currency).

Authorisations

The Programme and the issue of Covered Bonds has been duly authorised by a resolution of the Management Board (*Consiglio di Gestione*) of the Issuer (formerly Banca Popolare di Milano S.c. a.r.l.) dated 13 November 2007 and 8 July 2008 and the giving of the Guarantee has been duly authorised by a resolution of the Quotaholders of the Guarantor dated 6 June 2008. The annual updates of the Programme have been authorised by the resolution of the board of directors of the Issuer dated 18 December 2018.

Clearing of the Covered Bonds

The Covered Bonds issued in dematerialised form have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Conditions and/or Final Terms shall specify (i) any other clearing system for the Covered Bonds issued in dematerialised form as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information or (ii) with respect to Covered Bonds issued in any of the other form which may

be indicated in the relevant Conditions and/or Final Terms, the indication of the agent or registrar through which payments to the Bondholders will be performed.

Litigation

Save as described under "*Business Description of the Issuer and the group - Legal Proceedings of the Group*" neither the Issuer nor any other member of the Group nor the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group or the Guarantor.

Trend Information/ No Significant change

The conflicts between Russia and Ukraine and in the Middle East have significantly increased the uncertainties in the economy and the financial markets, as discussed in "*Risks related to the impact of global macro-economic factors, the consequences arising from the continuation of the Russia-Ukraine conflict and the onset of conflict in the Middle East, and the impact of the geopolitical environment in general*" on page 31 of this Prospectus. Except for the potential direct and indirect impact of the conflicts between Russia and Ukraine and in the Middle East indicated in the previous paragraph, there has been no significant change in the financial performance or position of the Issuer and the Banco BPM Group since 31 March 2024 and there has been no material adverse change in the prospects of the Issuer since 31 December 2023.

Since 31 December 2023, (i) there has been no material adverse change in the prospects of the Guarantor, (ii) there has been no significant change in the financial position of the Guarantor, and (iii) there has been no significant change in the financial performance of the Guarantor.

Luxembourg Listing Agent

The Issuer has undertaken to maintain a listing agent in Luxembourg so long as Covered Bonds are listed on the official list of the Luxembourg Stock Exchange.

Independent Auditors

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors (*Albo speciale delle società di revisione*), in compliance with the provisions of Legislative Decree No. 39/2010, as implemented by MEF (Decree n. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Piazza Tre Torri, 2, 20145 Milan, Italy.

PricewaterhouseCoopers S.p.A. was appointed by the shareholders' meetings of Banca Popolare di Milano S.c. a r.l. and Banco Popolare – Società Cooperativa held on 15 October 2016 in the context of the Merger as independent auditor of the Issuer for its consolidated and non-consolidated annual financial statements as well as for its interim consolidated financial statements. The engagement of PricewaterhouseCoopers S.p.A. will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2025.

PricewaterhouseCoopers S.p.A. audited the consolidated and non-consolidated annual financial statements of Banco BPM S.p.A. as at and for the years ended 31 December 2022 and 31 December 2023.

PricewaterhouseCoopers S.p.A. has also audited the 2022 financial statements and the 2023 financial statements of the Guarantor.

Documents Available

So long as Covered Bonds are capable of being issued under the Programme and without prejudice to paragraph "Publication on the Internet", copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

(a) the memorandum of association (*atto costitutivo*) and the by-laws (with an English translation thereof) of the Issuer and the Guarantor (which are also available on, in respect of the Issuer https://gruppo.bancobpm.it/media/dlm_uploads/Statuto-BBPM-ENG_15.04.2021.pdf, and, in respect of the Guarantor, https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-Articles-of-Association-EN.pdf and https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-S.r.l.-Company-Statute.pdf;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the years ended 31 December 2022 and 31 December 2023 (which are also available on https://gruppo.bancobpm.it/media/dlm_uploads/Annual-Report_BPM_2022.pdf, and https://gruppo.bancobpm.it/media/dlm_uploads/Annual-Report-2023-1.pdf);

(c) the audited non consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2023, audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith, which are available at https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond_Financial-Statements-as-at-31-December-2023-with-Audit-Opinion.pdf; and

(d) the audited non consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2022, audited by PricewaterhouseCoopers S.p.A., together with the audit report prepared in connection therewith, which are available at https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond_Financial-Statements-as-at-31-December-2022-with-Audit-Op.pdf.

(e) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer;

(f) a copy of this Prospectus;

(g) any future offering circulars, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference;

(h) the 8 February 2024 Press Release;

(i) the 7 May 2024 Press Release;

(l) the Guarantee (which is also available on https://gruppo.bancobpm.it/media/dlm_uploads/BPM-Covered-Bond-S.r.l.-Guarantee.pdf).

In addition, copies of this Prospectus, any supplements to this Prospectus, each Final Terms relating to the Covered Bonds which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (https://www.luxse.com). In addition, copies of the by-laws of the Issuer (with an English translation thereof) will be available on the Issuer's website (https://gruppo.bancobpm.it/en/).

Publication on the Internet

This Prospectus, any supplement thereto and the Final Terms will be available on the internet site of the Luxembourg Stock Exchange, at https://www.luxse.com.

In any case, copy of this Prospectus together with any supplement thereto and documents incorporated by reference, if any, or further Prospectus, will remain publicly available in electronic form for at least 10 years on https://gruppo.bancobpm.it/investor-relations/strumenti-di-debito/emissioni-internazionali/.

Material Contracts

The Issuer has no material contracts in place which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations under the Covered Bonds, other than those contracts entered into in the ordinary course of business.

The Guarantor has entered into any contracts since 26 March 2015 outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Bondholders.

Financial Statements

The Guarantor produces non-consolidated financial statements on an annual basis, at the end of each calendar year.

The Issuer produces consolidated and non-consolidated financial statements at the end of each calendar year and, thereafter, on a quarterly basis, interim consolidated financial statements.

Dealers

Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions (including the provision of loan facilities and/or securitisation transactions) and other related transactions with, and may perform advisory, financial and/or non-financial services for, the Issuer and its affiliates in the ordinary course of business. In the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates

that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" also includes parent companies. For the purpose of this paragraph the term "affiliates" also includes parent companies.

GLOSSARY

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

Account Bank means Banco BPM or any other entity acting as account bank pursuant to the Cash Allocation, Management and Payments Agreement.

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

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

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

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

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

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

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

Administrative Services Agreement means the agreement entered into on 22 October 2021 between the Guarantor and the Guarantor Administrative Servicer pursuant to which the Guarantor Administrative Servicer will provide certain administration services to the Guarantor.

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

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

Affected Receivable has the meaning specified in Clause 8 of the Warranty and Indemnity Agreement.

Amortisation Test means the test intended to ensure that on each Calculation Date, following the delivery of an Issuer Default Notice, the outstanding principal balance of the Cover Pool which for such purpose is considered as an amount equal to the Amortisation Test Aggregate

Loan Amount is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

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

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

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

Article 74 Event Cure Notice means the notice to be served by the Representative of the Bondholders on the Issuer, the Guarantor and the Asset Monitor, stating that the Article 74 Event has been revoked.

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

Asset Monitor Agreement means the asset monitor agreement entered into on 11 July 2008 between, *inter alios*, the Asset Monitor and the Issuer.

Asset Monitor Report means the report to be delivered, on each Calculation Date, by the Calculation Agent pursuant to the terms of the Asset Monitor Agreement.

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

Back-up Account Bank means The Bank of New York Mellon SA/NV – Milan branch, or any other entity appointed to act as such pursuant to the Cash Allocation, Management and Payment Agreement.

Back-up Servicer means the entity which may be appointed by the Guarantor, together with the Representative of the Bondholders, pursuant to clause 7 of the Servicing Agreement and Clause 5.3 of the Intercreditor Agreement.

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

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

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

Bank of Italy Regulations means Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (*Circolare* No. 285 of 17 December 2013), as subsequently replaced by Part III, Chapter 3 of the "*Disposizioni di vigilanza per le banche*" (*Circolare* No. 285 of 17 December 2013) dated 30 March 2023, as amended or supplemented from time to time

Beneficiaries means the Bondholders and the Other Guarantor Creditors and any other person or entity entitled to receive a payment from the Issuer and/or the Guarantor under the Programme, in accordance with article 7-*bis* of the Securitisation and Covered Bonds Law (as subsequently replaced by Title 1-*bis* of the Securitisation and Covered Bonds Law).

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

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

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

Business Day means any day (other than a Saturday or Sunday) on which banks are generally open for business in Milan, Luxembourg and London and on which the real time gross settlement system operated by the Eurosystem (T2) (or any successor thereto) is open.

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

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

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

Cash Allocation, Management and Payment Agreement means the Cash Allocation, Management and Payment Agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Servicer, the initial Seller, the Account Bank, the Investment Manager, the Guarantor Corporate Servicer, the Guarantor Administrative Servicer, the Calculation Agent, the Principal Paying Agent, the Back-up Account Bank and the Representative of the Bondholders, as amended, supplemented or restated from time to time.

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

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

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

Collection Account means the BPM S.p.A. Collection Account and any other account which may be opened in accordance with clause 3.3 of the Cash Allocation, Management and Payments Agreement and "Collection Accounts" means all of them.

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

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

Commercial Mortgage Loan means a commercial mortgage loan meeting the requirements of article 129, paragraph 1, letter f), of the CRR and article 7-*novies*, paragraph 2, letters a) and b), of the Securitisation and Covered Bonds Law.

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

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

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

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

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

Corporate Services Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Guarantor Corporate Servicer pursuant to which the Guarantor Corporate Servicer will provide certain corporate services to the Guarantor, as amended, supplemented or restated from time to time.

Corresponding Series of Covered Bonds means, in respect of a Term Loan, the Series of Covered Bonds issued or to be issued.

Covered Bonds means each series of European covered bonds (*obbligazioni garantite europee*) issued or to be issued by the Issuer pursuant to the terms and conditions of this Prospectus and the conditions of the Programme Agreement and in accordance with Title 1-*bis* of the Securitisation and Covered Bonds Law which has implemented Directive (EU) 2019/2162 of 29 November 2019 establishing a common framework for covered bonds and the Bank of Italy Regulations.

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

Cover Pool Management Agreement means the agreement entered into on 11 July 2008 between the Issuer, the Guarantor, the Representative of the Bondholders and the Calculation Agent, as amended, supplemented or restated from time to time.

Cover Pool Swap Agreement means any interest swap agreement from time to time entered into in respect of the Cover Pool.

Cover Pool Swap Provider means Banco BPM or any other entity acting as such pursuant to the Cover Pool Swap Agreement (if any).

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

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

CRR means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and as amended by Regulation (EU) 2019/2160 of the European Parliament and of the Council of 29 November 2019 as regards exposures in the form of covered bonds

Dealer means each of UBS Europe SE, Banca Akros S.p.A. – Gruppo Banco BPM, Barclays Bank Ireland PLC and any other entity which may be appointed as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 5 (Form of Dealer Accession Letter) of the Programme Agreement on any other terms acceptable to the Issuer and such entity.

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

Decree No. 190 means the Legislative Decree No. 190 of 5 November 2021, as amended and supplemented from time to time.

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

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

Deed of Charge means the English law deed of charge entered into on or about the First Issue Date between the Guarantor and the Representative of the Bondholders (acting as trustee for the Bondholders and for the Other Guarantor Creditors) and each supplemental deed entered into pursuant thereto, as amended and supplemented from time to time.

Deed of Pledge means the Italian law deed of pledge entered into on 11 July 2008 between the Guarantor and the Representative of the Bondholders (acting on behalf of the Bondholders and of the Other Guarantor Creditors), as amended and supplemented from time to time.

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

Documentation means any documentation relating to the Eligible Assets, Substitution Assets and/or Liquid Assets comprised in the Portfolio.

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

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

(b) in respect of any Subsequent Portfolio of Eligible Assets, Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Tests) and/or Liquid Assets, the date on which the purchase price for such Eligible Assets, Substitution Assets and/or Liquid Assets has to be paid to Banco BPM by the Guarantor pursuant to the terms of the Master Receivables Purchase Agreement and/or the Cover Pool Management Agreement (as applicable).

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

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

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

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

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

Eligible Assets means the following assets:

(i) the Residential Mortgage Loans;

(ii) the Commercial Mortgage Loans;

(iii) the Public Entity Receivables; and

(iv) the Public Entity Securities.

Eligible Cover Pool means the aggregate amount of Eligible Assets, Substitution Assets and Liquid Assets (including (i) any sum standing to the credit of the Accounts and (ii) the Eligible Investments) provided that (i) any Non Performing Receivable and those Eligible Assets, Substitution Assets or Liquid Assets for which a breach of the representations and warranties granted under Clause 3(c)(i) of the Warranty and Indemnity Agreement has occurred and has not been remedied will not be considered for the purpose of the calculation, (ii) any Mortgage Loan in respect of which the relevant loan to value ratio exceeds the percentage limit set forth under article 129, paragraph 1, of the CRR will be calculated up to an amount of principal which – taking into account the market value of the Real Estate Assets related to that Mortgage Loan allows the compliance with such percentage limit, (iii) the aggregate of the Substitution Assets and Liquid Assets in excess of the Integration Limits will not be considered for the purposes of the calculation, (iv) in accordance with article 7-*undecies*, paragraph 2, letter a) of the Securitisation and Covered Bonds Law, unsecured receivables, in case a default pursuant to article 178 of the CRR occurs, will not be considered for the purpose of the calculation, (v) any Receivable which is secured by a Real Estate Asset which is not insured against the risk for damages in accordance with article 7-*nonies*, paragraph 2, letter a), of the Securitisation and Covered Bonds Law will not be considered for the purpose of the calculation, and (vi) any Eligible Swap Agreement will be considered only for the purposes of the calculation of the Net Present Value Test and the Interest Coverage Test.

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

Eligible Investment means:

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

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

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

(iv) reserve accounts, deposit accounts, and other similar accounts that provide direct liquidity and/or credit enhancement held at a financial institution rated at least "Baa3" and/or "P-3" by Moody's, and/or

(v) securities lending transactions with the counterparty acting as borrower regulated under the Global Master Securities Lending Agreements governed by English law provided that (a) the underlying securities comply with the requirements set out in paragraph (i), (ii) and (iii) above, (b) the counterparty acting as borrower of the Guarantor acting as lender under the securities lending transaction is a credit institution (including, without limitation, the Account Bank, to the extent they qualify as Eligible Institutions) qualifying as an Eligible Institution, (c) such securities lending transactions are immediately repayable on demand subject to a notice period, disposable without penalty or loss or have a maturity date falling no later than the immediately following Eligible Investment Maturity Date, (d) the counterparty acting as borrower of the Guarantor has acceded to the Intercreditor Agreement and has agreed to be bound by the provisions thereof and (e) in case of downgrade of the relevant counterparty below the minimum ratings by Moody's, the Guarantor shall terminate in advance the securities lending transaction within 35 calendar days from the downgrade,

provided in all cases that (A) any such investments mature on or before the next following Guarantor Payment Date or are disposable at no loss and provided in all cases that the relevant exposure qualifies for the "credit quality step 1" pursuant to article 129, let. (c) of the CRR or, in case of exposure *vis-à-vis* an entity in the European Union which has a maturity not exceeding 100 (one-hundred) days, it may qualify for "credit quality step 2" pursuant to article 129, let. (c) of the CRR and (B) none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in any such instruments at any time; (C) no amount available to the Guarantor in the context of the Programme may be otherwise invested in asset backed securities, irrespective of their subordination, status, or ranking at any time.

Eligible Investment Date means the second, tenth, seventeenth and twentyfifth Business Day of each month or, in any event, the date on which the balance standing to the credit of each of the Transaction Account and the Reserve Account exceeds Euro 2,500,000 respectively.

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

Eligible Swap Agreement means any Swap Agreement which meets the requirements of article 129, paragraph 1, letter c), point ii), of the CRR and article 7-*decies* of the Securitisation and Covered Bonds Law.

EU Insolvency Regulation means EU Insolvency Regulation 2015/848/EU, as amended, supplemented or replaced from time to time.

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

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

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

Euroclear means Euroclear Bank SA/NV, with offices at 1 boulevard du Roi Albert II, B-1210 Brussels.

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

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

Excluded Swap Termination Amount has the meaning given to it in item *Fourth* of the Pre-Issuer Default Interest Priority of Payments.

Expected Programme Unwinding Costs means any expected cost related to the maintenance and administration for the unwinding of the Programme calculated as a lump sum as set out in schedule 3 (*Expected Programme Unwinding Costs*) to the Cover Pool Management Agreement.

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

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

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

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

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

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

Extraordinary Resolution has the meaning set out in the Rules.

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

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

Final Redemption Amount mean, in respect of ay Series of Covered Bonds, the principal amount of such Series.

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

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

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

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

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

FSMA means the Financial Services and Markets Act 2000.

Further Criteria means the criteria identified in accordance with Clause 2.4(iii) of the Master Receivables Purchase Agreements.

Guarantee means the guarantee issued on 11 July 2008 by the Guarantor for the benefit of the Beneficiaries as amended, supplemented or replaced from time to time.

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

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

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

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

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

Guarantor means BPM Covered Bond S.r.l., a limited liability company (*società a responsabilità limitata*) incorporated under the laws of the Republic of Italy pursuant to the Securitisation and Covered Bonds Law, having its registered office at Via Curtatone, 3, Rome, Italy, fiscal code and enrolment with the companies' register (*registro delle imprese*) of Rome No. 09646111006.

Guarantor Administrative Servicer means Banco BPM S.p.A. or any other entity acting as such pursuant to the Administrative Services Agreement.

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

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

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

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

Guarantor Payment Date means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 15th day of January, April, July and October or, if such day is not a Business Day, the immediately following Business Day, and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Terms and Conditions and the Intercreditor Agreement.

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

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

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

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

(i) such company, entity or corporation has become subject to any applicable liquidation, administration, insolvency, composition or reorganisation judicial liquidation (*liquidazione giudiziale*), compulsory administrative liquidation (*liquidazione coatta amministrativa*), recovery plans (*piani di risanamento*), debt restructuring agreements (*accordi di ristrutturazione del debito*), extraordinary administration (*amministrazione straordinaria*), negotiated crisis settlement and simplified composition (*composizione*

negoziata della crisi and *concordato semplificato*, each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

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

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

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

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

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

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

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

Integration Limits means the limits set forth under article 129, paragraph 1a., of the CRR, as may be amended and/or supplemented from time to time, being as at the date hereof:

(i) for exposures to credit institutions that qualify for credit quality step 1, the exposure shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing credit institution;

(ii) for exposures to credit institutions that qualify for credit quality step 2, the exposure shall not exceed 10% of the nominal amount of outstanding covered bonds of the issuing credit institution;

(iii) for exposures to credit institutions that qualify for credit quality step 3 that take the form of short-term deposits, as referred to in article 129, paragraph 1., letter (c)(i) of the CRR, or the form of derivative contracts, as referred to in article 129, paragraph 1., letter (c)(ii) of the CRR, the total exposure shall not exceed 8% of the nominal amount of outstanding covered bonds of the issuing credit institution; the competent authorities designated pursuant to Article 18(2) of Directive (EU) 2019/2162 may, after consulting European Banking Authority, allow exposures to credit institutions that qualify for credit quality step 3 in the form of derivative contracts, provided that significant potential concentration problems in the Member States concerned due to the application of credit quality step 1 and 2 requirements referred to in this paragraph can be documented;

(iv) the total exposure to credit institutions that qualify for credit quality step 1, 2 or 3 shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing credit institution and the total exposure to credit institutions that qualify for credit quality step 2 or 3 shall not exceed 10% of the nominal amount of outstanding covered bonds of the issuing credit institution.

Intercreditor Agreement means the agreement entered into on 11 July 2008 between the Guarantor and the Other Guarantor Creditors as amended, supplemented or restated from time to time.

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

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

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

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied, together with any provision for such payments made on any preceding Calculation Date, (i) to make payments in respect of interest due and payable, pro rata and *pari passu* in respect of each relevant Interest Rate Swap Agreement or, as the case may be, (ii) to make payments in respect of interest due on the Covered Bonds under the Guarantee, *pari passu* and pro rata in respect of each relevant Series of Covered Bonds, or (iii) to make provision for the payment of such relevant proportion of such amounts to be paid on any other day up to the immediately following Guarantor Payment Date, as the Calculation Agent may reasonably determine, or otherwise (iv) to make payments to a Subordinated Lender under the relevant Subordinated Loan Agreement as described in item Fifth (b) of the Pre-Issuer Default Interest Priority of Payments;

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of interest due and payable under the Subordinated Loan Agreements or, as the case may be, (ii) together with any provision for such payment

made on any preceding Guarantor Payment Date, to make payments in respect of interest on the Covered Bonds under the Guarantee, *pro rata* and *pari passu* in respect of each relevant Series of Covered Bonds;

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

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

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

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

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

Interest Coverage Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the amount of interest and other revenues generated by the assets included in the Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limits transferred pursuant to the Master Receivables Purchase Agreement and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (including the payments of any nature expected to be received by the Guarantor with respect to any Eligible Swap Agreement), net of the costs borne by the Guarantor (including the payments of any nature expected to be received by the Guarantor or due to the Swap Providers with respect to any Eligible Swap Agreement), shall be at least equal to the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

Interest Instalment means the interest component of each Instalment.

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

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

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar

Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

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

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

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

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

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

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

ISDA Definitions means (i) the 2006 ISDA Definitions, (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Series) or (ii) if ISDA 2021 Definitions are specified as being applicable in the relevant Final Terms, the latest version of ISDA 2021 Interest Rate Derivatives Definitions, including each Matrix (as defined therein) (and any successor thereto), each as published by ISDA (or any successor) on its website (http://www.isda.org).

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

Issuer means Banco BPM.

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

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

Italian Insolvency Code means the Italian Legislative Decree no. 14 of 12 January 2019 (*Codice della crisi d'impresa e dell'insolvenza*), as amended, supplemented or replaced from time to time.

Joint Arrangers means Barclays Bank Ireland PLC and UBS Europe SE.

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

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

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

Limit Excess Amount means, on each Guarantor Payment Date, an amount equal to the lower of:

(a) the Principal Available Funds remaining following the payment of the amounts due under items (*First*) and (*Second*) of the Pre-Issuer Default Principal Priority of Payments; and

(b) the amount necessary to restore the Integration Limits, being an amount equal to the difference, if positive, between the aggregate principal of the Liquid Assets and/or Substitution Assets included in the Cover Pool and Integration Limits of the Cover Pool.

Liquid Assets means the assets identified under article 7-*duodecies*, paragraph 2, letter a) and letter b), of the Securitisation and Covered Bonds Law, as may be amended and/or supplemented from time to time, being as at the date hereof:

(i) high quality liquid assets pursuant to the Commission Delegated Regulation (EU) 2015/61, adopted pursuant of article 460 of the CRR, which are not been issued by the bank itself, by its parent company, except that the latter is a public sector body other than one bank, by a subsidiary of the issuing bank or by another subsidiary of the parent company or by a securitisation with which the bank has close links; and

(ii) exposures with an original term equal to or less than 90 (ninety) days to banks that are classified in the merit classes of credit 1 or 2 or short-term deposits with any bank classified in credit quality steps 1, 2 or 3, pursuant to the provisions of article 129, paragraph 1., letter c), of the CRR, as amended by Regulation (EU) no. 2160/2019,

provided that such assets satisfy the requirements to qualify as Eligible Investments.

Liquidity Buffer Requirement means the requirement set forth in article 7-*duodecies* of the Securitisation and Covered Bonds Law that the amount of Liquid Assets comprised in the Cover Pool shall, on a continuing basis, be equal to or higher than the maximum cumulative Net Liquidity Outflow of the Programme over the next 180 days, provided that, for the purposes of calculating the Net Liquidity Outflows, the Principal Amount Outstanding of the Covered Bonds shall be deemed to be due on the relevant Extended Maturity Date (where applicable) and not on the relevant Final Maturity Date.

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

Mandate Agreement means the mandate agreement entered into on or about 11 July 2008 between the Representative of the Bondholders and the Guarantor, as amended, supplemented or restated from time to time.

Mandatory Tests means the tests provided for under article 7-*undecies*, paragraph 1, of the Securitisation and Covered Bonds Law.

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

Master Definitions Agreement means the master definitions agreement entered into on or about the First Issue Date by the parties of the Transaction Documents, as amended, supplemented or restated from time to time.

Master Receivables Purchase Agreement means each master receivables purchase agreement entered into between the Guarantor and a Seller, as amended, supplemented or restated from time to time.

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

Meeting has the meaning set out in the Rules.

Minimum Overcollateralisation Requirement means the requirement for a minimum overcollateralisation equal to 5%, as set out in article 129, paragraph 3-*bis*, of the CRR and in the Bank of Italy Regulations.

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

Monte Titoli Account Holders means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with article 79-*quater* of the Financial Laws Consolidation Act and includes any depositary banks approved by Clearstream and Euroclear.

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

Moody's means (i) for the purpose of identifying the entity which has assigned a rating to the Issuer, Moody's France SAS, and (ii) in any other case, Moody's Italia S.r.l., or any of their successors.

Moody's Potential Commingling Amount means (i) nil, if the Issuer's short term rating is at least "P-2" by Moody's or if any of the remedies provided for under Clauses 3.11(a), 3.11(b) or 3.11(c) of the Servicing Agreement has been implemented, or, in any other case, (ii) 1.6% of the aggregate outstanding principal balance of the Receivables included in the Cover Pool. The amounts under item (ii) above shall be deposited on the Transaction Account and are entitled to be released and become Principal Available Funds if any of the circumstances described under item (i) above occurs**.**

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

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

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

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

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

Net Liquidity Outflows means all payment outflows falling due on one day, including principal and interest payments, net of all payment inflows falling due on the same day for claims related to the Cover Pool, calculated in accordance with article 7-*duodecies* of the Securitisation and Covered Bonds Law and Title I-*bis*, Section III, paragraph 3, of the Bank of Italy Regulations, it being understood that, when the Maturity Date of a Series is extended to the relevant Extended Maturity Date, the Principal Amount Outstanding of such Series to be taken into account shall be based on the relevant Extended Maturity Date and not on the relevant Final Maturity Date.

Net Present Value Test means the test to be calculated pursuant to the terms of the Cover Pool Management Agreement so that the net present value of the Cover Pool, taking into account any Substitution Assets and/or Liquid Assets in excess of the Integration Limit transferred pursuant to the Master Receivables Purchase Agreement and the Cover Pool Management Agreement for the purposes of complying with the Nominal Value Test, (including the payments of any nature expected to be received by the Guarantor with respect to any Eligible Swap Agreement), net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Eligible Swap Agreement and the Expected Programme Unwinding Costs) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date.

New CB Legislation Effective Date means 30 March 2023.

Nominal Value Test means the test which will be carried out pursuant to the terms of the Cover Pool Management Agreement in order to ensure that, on each Calculation Date, the aggregate Outstanding Principal Balance of the Eligible Cover Pool (excluding, for the avoidance of doubt, the Eligible Swap Agreement (if any)) is higher than or equal to the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Terms and Conditions at the relevant Calculation Date, provided that the Minimum Overcollateralisation Requirement shall at all times be met.

Non Performing Receivables means any Receivable which qualifies as "non performing" in accordance with the CRR and EU Regulation No. 575/2013 and No. 680/2014, as amended from time to time, as implemented in Italy under the "Circolare della Banca d'Italia del 30

luglio 2008, n. 272 (*Matrice dei Conti*)", as amended supplemented or replaced from time to time.

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

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

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

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

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

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

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

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

Potential Commingling Amount means: (i) nil, if the Issuer's short term rating is at least "P-2" by Moody's or if any of the remedies provided for under Clauses 3.11(a), 3.11(b) or 3.11(c) of the Servicing Agreement has been implemented, or, in any other case, (ii) 1.6% of the aggregate outstanding principal balance of the Receivables included in the Cover Pool. The amounts under item (ii) above shall be deposited on the Transaction Account and are entitled to be released and become Principal Available Funds if any of the circumstances described under item (i) above occurs.

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

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

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

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

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

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

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

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

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

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

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

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

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

provided that, prior to the occurrence of a Guarantor Event of Default, any such amounts received on or after such Guarantor Payment Date (included) but prior to the next following Guarantor Payment Date (excluded) will be applied (i) to make payments in respect of principal due and payable under any Term Loan A (provided that all principal amounts outstanding under a relevant Series of Covered Bonds which have fallen due for repayment on such Guarantor Payment Date have been repaid in full by the Issuer), or, as the case may be, (ii) together with any provision for such payment made on any preceding Guarantor Payment Date, to make payments in respect of principal on the Covered Bonds under the Guarantee, pro rata and *pari passu* in respect of each relevant Series of Covered Bonds,

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

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

(viii) any principal amounts standing to the credit of the Transaction Account, other than the Moody's Potential Commingling Amount (to the extent this is not entitled to be released).

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

Principal Instalment means the principal component of each Instalment.

Principal Paying Agent means The Bank of New York Mellon SA/NV – Milan branch, or any other entity acting as such in accordance with the Cash Allocation, Management and Payment Agreement.

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

Privacy Law means, collectively, Legislative Decree number 196 of 30 June 2003 and the Personal Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

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

Programme Agreement means the programme agreement entered into on 11 July 2008 between the Guarantor, the Issuer, the Dealers and the Representative of the Bondholders, as amended, supplemented or restated from time to time.

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

Programme Maturity Date means the date following 25 years after the date of the Prospectus.

Programme Resolution has the meaning set out in the Rules.

Prospectus means this Prospectus prepared in connection herewith.

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

Public Entity Receivables means receivables satisfying the requirements set forth under article 129, paragraph 1, letter (a) and letter (b) of the CRR and article 7-*novies*, paragraph 1, letter a), of the Securitisation and Covered Bonds Law, provided that, the Public Entity Securities granted by Public Entities located outside the European Economic Area or Switzerland may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

Public Entity Securities means securities satisfying the requirements set forth under article 129, paragraph 1, letter (a) and letter (b) of the CRR and article 7-*novies*, paragraph 1, letter a), of the Securitisation and Covered Bonds Law, provided that, the Public Entity Securities granted by Public Entities located outside the European Economic Area or Switzerland may not amount to more than 10% of the aggregate nominal value of the Cover Pool.

Quarterly Servicer's Report Date means the tenth Business Day of March, June, September and December of each year.

Quota Capital Account means the euro denominated account established in the name of the Guarantor with the Account Bank as specified in the Master Definitions Agreement, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payment Agreement.

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

Quotaholders' Agreement means the agreement entered into on or about the First Issue Date between the Guarantor, the Quotaholders and the Representative of the Bondholders, as amended, supplemented or replaced from time to time.

Rating Agency means Moody's.

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

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

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

(ii) any Accrued Interest as at the relevant Valuation Date and of interest (including default interest) becoming due and payable following the relevant Valuation Date;

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

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

(v) all rights in relation to any amount paid pursuant to any Insurance Policy or guarantee in respect of the Mortgage Loans of which each Seller is the beneficiary;

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

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

Reference Rate has the meaning given to it in the relevant Final Terms.

Representative of the Bondholders means the entity that will act as representative of the holders of each series of Covered Bonds pursuant to the Transaction Documents.

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

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

Reserve Required Amount means an amount equal to the aggregate amount of:

(i) three twelfth of the aggregate amount payable on the immediately following Guarantor Payment Date in respect of items from (*First*) to (*Third*) of the Pre-Issuer Default Interest Priority of Payments; and

(ii) (A) if no Cover Pool Swap Agreement has been entered into, or if a Cover Pool Swap Agreement has been entered into with an entity belonging to the Banco BPM Group, an amount equal to any interest amounts due in relation to any Series of Covered Bonds outstanding in the immediately following three months; or (B) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group, but (i) no Interest Rate Swap Agreement has been entered into in relation to a Series of Covered Bonds or (ii) an Interest Rate Swap Agreement has been entered into with an

entity belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due in relation to such Series of Covered Bonds in the immediately following three months; or (C) if a Cover Pool Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group and an Interest Rate Swap Agreement has been entered into with an entity not belonging to the Banco BPM Group in relation to a Series of Covered Bonds, any interest amounts due to the Interest Rate Swap Provider in respect of the relevant Interest Rate Swap Agreement in the immediately following three months, calculated applying the Floating Rate Option (as defined in the ISDA Definitions) for each relevant Interest Rate Swap Agreement determined on a forward basis.

Residential Mortgage Loan means a residential mortgage loan meeting the requirements of article 129, paragraph 1, letter d) of the CRR and article 7-*novies*, paragraph 2, letters a) and b), of the Securitisation and Covered Bonds Law.

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

Retention Amount means an amount equal to €10,000.

Rules means the Rules of the Organisation of the Bondholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

Securitisation and Covered Bonds Law means Italian Law No. 130 of 30 April 1999, as amended, supplemented or replaced from time to time.

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

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

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

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

Security Interest means:

(i) any mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;

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

(iii) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

Segregation Event means the occurrence of a breach of any Mandatory Tests and/or, prior to the delivery of an Issuer Default Notice, the Asset Coverage Test on a given Calculation Date which remains unremedied within the Test Grace Period.

Seller means Banco BPM S.p.A. and any Additional Seller pursuant to the relevant Master Receivables Purchase Agreement.

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

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

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

Servicer Termination Event means an event which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer, according to Clause 9.1 of the Servicing Agreement.

Servicing Agreement means the servicing agreement entered into on 8 July 2008 between the Guarantor and the Servicer, as amended, supplemented or restated from time to time.

Sofferenze means any Non Perfoming Receivable referred to a state of permanent distress and handled by the Servicer's Office Litigation.

SONIA Reference Rate has the meaning given to it in Condition 6(d).

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

Sub-Servicer means each Additional Seller, in its capacity as sub-servicer pursuant to the Servicing Agreement.

Subordinated Lender means each of Banco BPM S.p.A. and each Additional Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.

Subordinated Loan Agreement means any subordinated loan agreement entered into between a Subordinated Lender and the Guarantor, as amended, supplemented or restated from time to time.

Subsequent Portfolios means any portfolio of Receivables other than the Initial Portfolio which may be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreements.

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

Subsequent Portfolios means any portfolio of Eligible Assets, Substitution Assets and/or Liquid Assets other than the Initial Portfolio which may (or shall, as the case may be) be purchased by the Guarantor pursuant to the terms and subject to the conditions of the Master Receivables Purchase Agreement and/or the Cover Pool Management Agreement (as applicable).

Subsequent Portfolio Purchase Price means the consideration which the Guarantor shall pay to the Seller for the transfer of Subsequent Portfolios, calculated in accordance with Clause 4.2 of the Master Receivables Purchase Agreement.

Substitute Servicer means the successor of the Servicer upon the occurrence of a Servicer Termination Event, which may be appointed by the Guarantor pursuant to Clause 8.1 of the Servicing Agreement.

Substitution Assets means the assets referred to in article 129, paragraph 1, letter (c), of the CRR (as may be amended or supplemented from time to time), being, as at the date hereof, exposures to credit institutions that qualify for credit quality step 1 or credit quality step 2, or exposures to credit institutions that qualify for credit quality step 3 where those exposures are in the form of:

(i) short-term deposits with an original maturity not exceeding 100 days, where used to meet the cover pool liquidity buffer requirement of Article 16 of Directive (EU) 2019/2162

(ii) derivative contracts that meet the requirements of Article 11(1) of Directive (EU) 2019/2162, where permitted by the competent authorities .

Swap Agreements means, collectively, the Interest Rate Swap Agreement(s) and the Cover Pool Swap Agreement and any other swap agreement which may be entered into by the Guarantor in the context of the Programme.

Swap Collateral means the collateral provided by a Swap Provider to the Guarantor under the relevant Swap Agreements.

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

Swap Providers means, as applicable, the Cover Pool Swap Provider(s), the Interest Rate Swap Providers and any other entity which may act as swap counterparty to the Guarantor by entering into a Swap Agreement.

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

Term Loan means a loan made or to be made available to the Guarantor under the Facility or the principal amount outstanding for the time being of that loan, be it a Term Loan A and/or a Term Loan B.

Term Loan A means a Term Loan (i) advanced concurrently with an issue of a Series of Covered Bonds, (ii) identified by reference to the relevant Series of Covered Bonds so issued or to be issued and (iii) for an amount equal to the principal amount of the relevant Series of Covered Bonds so issued or to be issued.

Term Loan A Redemption Amount means, with respect to each Term Loan A, an amount equal to the principal amount of the relevant Corresponding Series of Covered Bonds which has been cancelled.

Term Loan A Redemption Request has the meaning ascribed to such term in each Subordinated Loan Agreement.

Term Loan B means a Term Loan (i) advanced for the purpose of funding the purchase of Eligible Assets and/or Substitution Assets (if transferred for the purpose of ensuring the compliance of the Cover Pool with the Tests) and/or Liquid Assets pursuant to the terms of the Cover Pool Management Agreement; and/or (ii) advanced concurrently with the advance of a Term Loan A, for an amount equal to the difference between the Term Loan A and the aggregate amount advanced on such Drawdown Date; and/or (iii) being any principal amount still outstanding of a Term Loan A on the Maturity Date (or the Extended Maturity Date) of the Corresponding Series of Covered Bonds and not paid at such date.

Terms and Conditions means the terms and conditions of the Covered Bonds.

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

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

Test Remedy Period means the period starting from the date on which a Breach of Tests Notice is delivered and ending on the date falling one calendar month thereafter.

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

Total Commitment means the Euro equivalent of the Programme Limit plus any other amount necessary to meet the Asset Coverage Test, to the extent not cancelled, reduced or increased by the Parties under the Subordinated Loan Agreement.

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

Transaction Documents means the Master Receivables Purchase Agreement, the Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payment Agreement, the Cover Pool Management Agreement, the Programme Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Guarantee, the Corporate Services Agreement, the Administrative Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, this Prospectus, the Deed of Pledge, the Deed of Charge, the Master Definitions Agreement and any other agreement entered into in connection with the Programme.

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

Transfer Date means: (a) with respect to Subsequent Portfolios to be purchased by the Guarantor using the Guarantor Available Funds in accordance with clause 4.2(b) of the Master Receivables Purchase Agreement, the relevant Guarantor Payment Date; and (b) with respect to the Subsequent Portfolios to be purchased by the Guarantor using solely the proceeds of a Term Loan under the Subordinated Loan Agreement in accordance with clause 4.2(c) of the Master Receivables Purchase Agreement, the date designated by the Seller in the relevant Transfer Notice.

Transfer Notice means, in respect to each Subsequent Portfolio, such transfer notice which will be sent by a Seller and addressed to the Guarantor in the form set out in schedule 5 to the relevant Master Receivables Purchase Agreement.

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

Valuation Date means in respect of each Portfolio sold by the Seller and/or any Additional Seller to the Guarantor from time to time the date on which the economic effects of the transfer of the relevant Portfolio will commence.

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

WA Remaining Maturity means the greater of (i) the weighted average remaining maturity of all Covered Bonds then outstanding, and (ii) one (1) year.

Warranty and Indemnity Agreement means each warranty and indemnity agreement entered into between a Seller and the Guarantor, as amended, supplemented or restated from time to time.

Zero Coupon Covered Bond means a Covered Bond specified as such in the relevant Final Terms.

ISSUER, ACCOUNT BANK AND CALCULATION AGENT

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